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# NATION'S BUSINESS

JUL 27 1932



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AUGUST • 1932



## Bulletins from Tax Battlefronts

Page 16

A company president  
tells why he is doing his  
own buying

Page 23

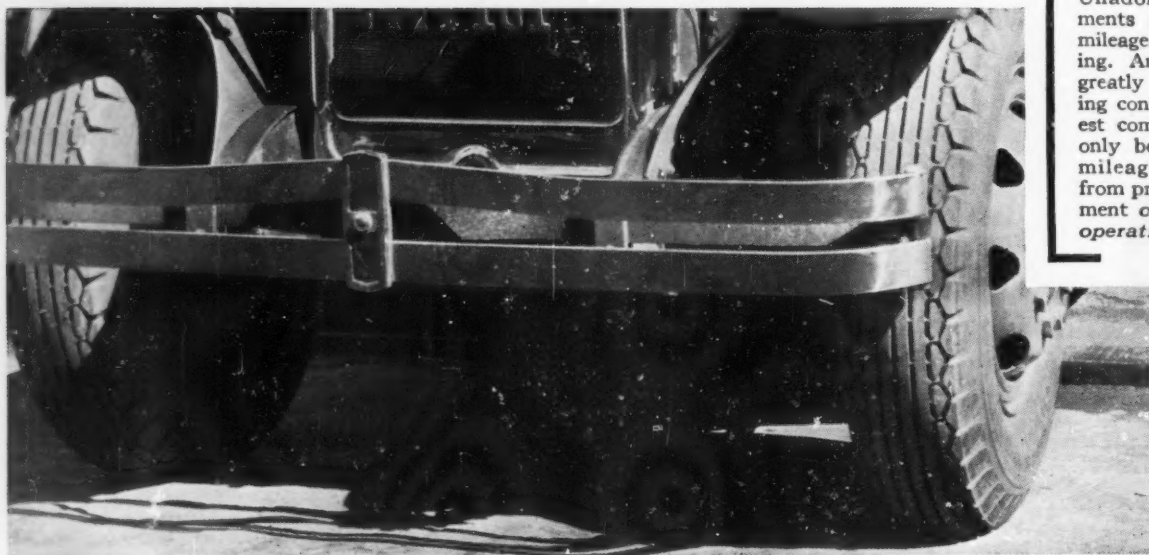
Tangles of the new  
federal taxes — and  
some ways out

Page 29



PUBLISHED BY THE  
U. S. CHAMBER OF COMMERCE  
MERLE THORPE, Editor

# From 18,000 Miles per tire to 70,000\*



\*  
Unadorned statements of high tire mileages are misleading. Amounts vary greatly with operating conditions. Honest comparisons can only be made with mileages received from previous equipment on the same operation.

**S**OUTHERN Kansas Stage Lines operates eighty-one buses, forty-six trucks and twelve trailers — travels some 6,000,000 miles yearly.

Before changing to Goodrich Balloons this operation averaged 18,000 miles per tire — 10 “flats” per day. With Goodrich Balloons they increased this average to 35,000 miles per tire — cut the number of “flats” to less than one per day. Not a bad showing, but —

Last spring when Goodrich announced the new model Heavy Duty Express Balloon, Southern Kansas Stage Lines promptly adopted it.



Recently Mr. A. E. Greenleaf, Vice President, wrote us:

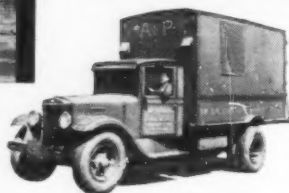
*“The new Goodrich Heavy Duty Express Balloons have given us over 70,000 miles each and are still in very good condition. We anticipate very much higher tire mileage in the future with this new Silvertown.”*

Increased mileage is only one factor. The added cushion, the improved traction and safety of the new Goodrich Truck Balloons are further reasons why you can materially lower your trucking costs, increase your trucking efficiency with this new tire.



*Between Wichita and Omaha, Southern Kansas Stage Lines operates eighty-one buses, forty-six trucks and twelve trailers.*

## Averages 61,000 Miles with Goodrich Air Containers



Mr. George W. Krill, of Baltimore, Md., reports that the Goodrich Tires and Air Containers on his trucks have been averaging 61,000 miles apiece, compared to 30,000 miles for previous equipment. What will Mr. Krill say when he tries the NEW Goodrich Silvertown?

**IMPORTANT**—Your nearest Goodrich Truck Tire Distributor is listed under “Tires” in the Classified Directory. Phone him **NOW**

# Goodrich Truck Balloons

**another B. F. Goodrich Product**

Copyright, 1932, The B. F. Goodrich Rubber Company



32,000 Rubber Articles • Goodrich Silvertowns • Zippers • Rubber Footwear  
Drug Sundries • Soles • Heels • Hose • Belting • Packing • Molded Goods

## Result

Perhaps your statement is misleading. Amounts vary greatly with operating conditions. Honest comparisons can only be made with mileages received from previous equipment on the same operation.

## Buying

When that happens, the content, they say, Mr. G. deal a about profits could prices. been in will fit page 2

## Advice

A couple was told we do wonder So we asked

General

Branch  
St. Louis  
Building  
Termin  
Chicago

# NATION'S BUSINESS for August



VOLUME 20

NUMBER 8

## CONTENTS

### Results

Perhaps people in your town or in your state are asking each other, "What are we going to do about taxes?" We can't answer that question for you but we can tell you what people in other towns and other states are doing about them. Beginning on page 16 of this number you will find a round-up of accomplishments of citizens like yourself who decided that government cost too much money. What they did and how much they saved make an inspiring story.

### Buying

When C. D. Garretson announced that he would do the buying for the company of which he is president, his friends advised against it. They said he would lose prestige. Mr. Garretson doesn't care a great deal about prestige. He does care about business and he believes in profits. He felt that his company could save money by paying higher prices. This paradoxical policy has been in effect several months. You will find how it worked out on page 23.

### Aviation

A couple of years ago everybody was talking about aviation. Today we don't hear so much about it. We wondered if it was dead or sleeping. So we prepared some questions and asked P. G. Johnson for the an-

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swers. Mr. Johnson is president of a great airline and of an airplane factory. He answered our queries. We found that aviation was neither dead nor sleeping. What it is doing, Mr. Johnson explains on page 25.

### New Taxes

At the hearings which preceded adoption of the new tax bill many indirect results were predicted, results that were wholly unpremeditated in the program of raising more money for government. With the bill in operation, some of those results are already appearing. Whether or not they affect your business is a question for you to decide but you will want to know the possibilities.

### Farm Mortgages

The situation in this field is attracting political attention and may play a prominent part in the election campaign. Just what this situation is has been explained in an article beginning on page 35.

### Gold

Gold is a commodity as well as a medium of exchange. Its actions in a depression follow certain economic laws which may surprise you. Right now, with most of the world off the gold standard, gold mining is a thriving industry. The article beginning on page 42 explains this apparent paradox.

MERLE THORPE, Editor and Publisher

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# A wrapping machine that actually sees!



## The ELECTRIC EYE

**cuts Printed Cellophane costs 10% to 25%, and  
locates the printed design correctly on the package**

The *printed* transparent wrapper—Cellophane, glassine, waxed paper, etc.—has many decided sales advantages. But its use has been greatly restricted because, until recently, no wrapping machine could correctly locate the printed design on the package. Hand-wrapping is, of course, too expensive for most products.

To meet this condition, we designed a wrapping machine with an "electric eye" (photo-electric cell). This electric eye "watches" the design on the wrapping material as it is fed from the roll, and controls the machine so that the design is accurately located on each package—as shown on the Planter's Peanut Bar above.

This improvement opens up new opportunities for many products.

Goods that are being wrapped in printed paper wrappers can now be wrapped in printed transparent wrappers instead, thus securing equally effective name display *plus* the important sales advantage of transparency.

If a plain transparent wrapper is already being used over a printed wrapper, it may be advisable to replace the double wrapping with a single printed transparent wrapper—a worthwhile saving.

### Important Savings over Hand Wrapping

Where printed transparent wrappers are being put on by hand, our machines effect substantial savings in labor costs. There is also a large saving in material costs—Cellophane in roll form, as used on our machines, costs 10% to 25% less than when supplied in sheets, as used for hand wrapping. In some cases the saving on material alone will pay for the machine in 6 months.

### Write for information

This is only one of many types of packages which our machines produce. No matter what your particular packaging requirements may be, get in touch with us.

### PACKAGE MACHINERY COMPANY

Springfield, Massachusetts

New York

Chicago

Los Angeles

London: Baker-Perkins, Ltd.



*When writing to PACKAGE MACHINERY COMPANY please mention Nation's Business*



## Through the EDITOR'S SPECS

**O**UR examples last month of the encroachment of Federal Government into the fields of laundrymen, dairymen, retailers, restaurant and hotel keepers, brought to our desk an avalanche of letters.

Most of our correspondents expressed amazement that government activities had reached such dimensions. Others expressed indignation and anger. Still others—and to them we are especially grateful—gave us more examples in varied fields, many of which had not been brought to our attention before.

For instance, four years ago, a Philadelphia agency writes us, it made a study of the poultry-breeding industry to learn why this industry was showing less and less activity. It came as a surprise to learn from the poultry breeders who were interviewed, the large majority complained of a new competition by the State which had greatly affected their business during the past ten years. It seems that State experiment stations sell breeding stock to the public, such stations receiving aid from the Federal Government. Of course, an individual concern cannot hope to meet such competition, as most of the costs of such a government activity do not include taxation, rent, supervision and a score of other items.

In several cases a pitiful note was struck. Breeders told how the State had taken advantage of their patriotic motives. They had provided experimental station pens in the beginning with their own blooded stock only to find that the State soon became their keenest competitor.

SIMILAR instances in this field were given us. Nurserymen complained; veterinarians; and seed companies.

WE WERE interested in looking over a file of correspondence between restaurant keepers and government officials.



# AN OPPORTUNITY TO BE INDEPENDENT

## which may not occur again for 20 years

SOME MEN view a business depression with alarm. Others view it as an opportunity.

A business depression, like any other big shake-up in human affairs, causes old leaders to fall and new leaders to take their places.

That is what happened in 1907. It happened again in 1921. It is happening today.

Profound changes are taking place in business—this year, this month, *now*. The man who sees in these changes his opportunity for independence and power is the man who will make his fortune in the next five years.

Business today is new and complex. The old rules no longer work. A whole new set of problems is presented by production. Foreign markets have become a vital issue. An entirely new conception of selling is replacing the old hit-or-miss way. Consolidations and reorganizations have wiped out old jobs, created new functions.

In order to progress today, a man must know the new rules. And the man who does know the new rules will go farther and faster in the next five years than the average man goes in twenty years.

## Send for the Booklet which describes this Opportunity

Since 1929 the Alexander Hamilton Institute has been laying the foundation of a new kind of Service for the leaders of tomorrow. The ablest business minds—men of international reputation—have helped prepare this new Service. Here are a few of them: M. H. AYLESWORTH, *President*, National Broadcasting Company; THOMAS J. WATSON, *President*, International Business Machines Corporation and *President*, Merchants' Association of New York; HUBERT T. PARSON, *President*, F. W. Woolworth Company; COLBY M. CHESTER, JR., *President*, General Foods Corporation.

A booklet has been prepared which tells about this new Service and about the opportunities of the next five years. It is called "What an Executive Should Know." The booklet is well

worth half an hour of your time. It contains the condensed results of 20 years' experience in helping men to forge ahead financially. Many men have said that in 30 minutes it gave them a clearer picture of their business future than they ever had before. This booklet costs nothing. Send for it.

To the Alexander Hamilton Institute,  
656 Astor Place, New York City. (In Canada address Alexander Hamilton Institute, Ltd., C. P. R. Building, Toronto.)

Send me "What an Executive Should Know,"  
which I may keep without charge.

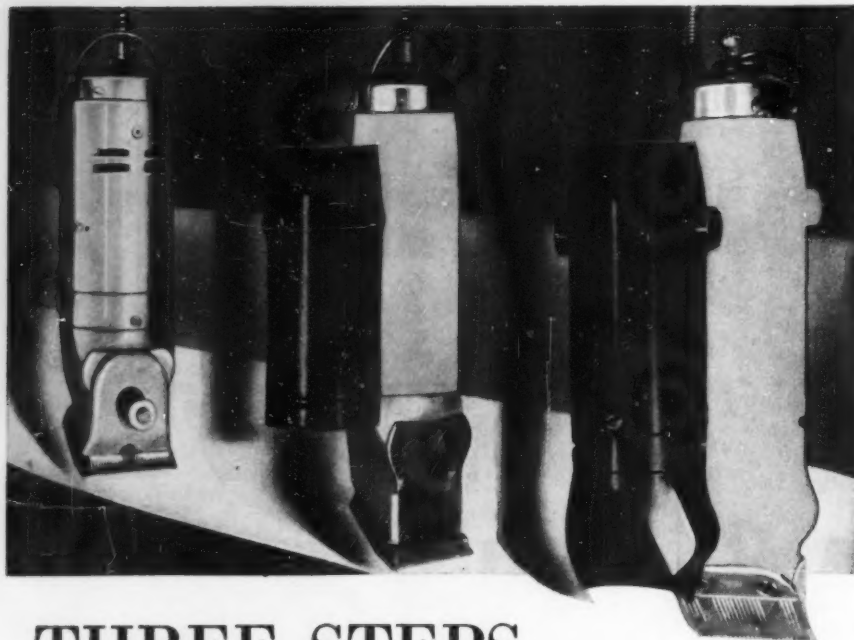
Name ..... Age .....

Business Address .....

.....

Business Position .....

When writing to ALEXANDER HAMILTON INSTITUTE please mention *Nation's Business*.



## THREE STEPS in product improvement ...inspired by Bakelite Molded

**PRODUCT DESIGN** is a moving force. Change follows upon change, improvement upon improvement. New styles, new materials, new conveniences are adopted to meet market and production demands. In fact, design evolution never halts. The illustration shows how this change has affected one product, and how Bakelite Molded has aided it.

First, an all metal housing. Second, a metal and Bakelite Molded housing. Third, an all Bakelite Molded housing. Three steps from a heavy unattractive device to one that is lighter and more attractive; from one that was prone to heat up, to one that remains cool and comfortable; from one that required complex insulations within the housing, to one in which the housing itself is an excellent insulator.

Bakelite Molded may be able to effect similar improvements in design

BAKELITE CORPORATION, 247 Park Ave., New York... 635 West 22nd St., Chicago  
BAKELITE CORPORATION OF CANADA, LIMITED, 163 Dufferin Street, Toronto, Ontario, Canada

and utility for your products. This material is strong, highly insulating, light in weight, and resistant to oil, water and many chemicals. It reproduces accurately and economically the simplest or the most complex designs. It possesses a high lasting lustre and may be had in a wide range of fine colors—definite sales advantages for your products. Do not hesitate to call upon us for assistance in adapting Bakelite Molded to your products.

Write for booklet 1M, "Bakelite Molded," describing this material.



# BAKELITE

The registered trade marks shown above distinguish materials manufactured by Bakelite Corporation. Under the symbol "B" is the numerical sign for safety, as utilized generally to symbolize the safety number of present and future uses of Bakelite Corporation's products.

THE MATERIAL OF A THOUSAND USES

When writing to BAKELITE CORPORATION please mention Nation's Business

Most government officials, when such a complaint is made by a humble restaurant keeper, assume the attitude, "The Government knows best." Complaints that businesses were being ruined brought only the response that government employees had only a half-hour for lunch and therefore they could not leave the building to get lunch from private quarters. As one hotel man put it:

"What God-given law is there that provides only a half-hour lunch time for government employees?"

When the restaurant keepers complained that the competition was unfair because the Government had no rent to pay, nor taxes, the answer of one government official was naïve. He said that if the restaurant keepers could hear the complaints of the government employees as to the amounts charged for meals, he would be sure that they were charging as much or more than outside restaurants. Further, that it was impossible to prevent outsiders from eating in the restaurants.

And so on and so on.

FROM Brooklyn, N. Y., came a very human letter. A merchant wrote:

I am a merchant established at this address for 25 years. Until the last three years I have been able to earn a comfortable living for my family and through my savings purchased the building where I conduct my business.

Near here we have an Army base where approximately fifteen to twenty thousand soldiers are discharged yearly. These men, entering civilian life, purchase clothing, haberdashery, shoes and luggage amounting to nearly \$50 a man. In all, there is a business of about one million dollars a year which, if allowed to circulate through the community, would greatly help those paying rent and property owners who, in these hard times, find it so difficult to exist. However, we merchants get none of this business, for there has been established within the Army base a huge store supplying entire civilian outfits to the discharged Army men.

I cannot understand this monopoly and competition by the Government with the merchants paying rent and taxes in this community. Upon investigation I found that the operation of this business is facilitated by the War Department, inasmuch as the soldiers are told to buy there and certain Army restrictions are placed upon them if they do not.

In defense it is said that the Government should provide these outfits for its employees. This answer is open to argument. Furthermore, abuses have crept in. It is impossible, as some government officials openly state, to restrict such purchases to employees. Their relatives take advantage of the "below cost" prices; so do their friends. A reader

writes me that his neighbor recently bought a heating plant and household furniture from an Army post 80 miles away through a friend.

Here is an excerpt from another letter:

A banker friend of mine, with whom I play golf, bought a new set of "Bobby Jones" clubs. I asked him if he got them from a professional or from a downtown shop. He smiled a knowing smile and said, "No, I got them from the Army store through a friend and they cost me only half price."

A lawyer in Atlanta writes briefly and to the point:

I am in hopes you will include a discussion of the government competition with privately-owned express companies, such as has been done by increasing the size and weight of parcel post packages.

Commercial photographers complain. One writes:

There was a time when we could get from the Patent Office a photostat of patents granted by various European countries. From this photostat we could make additional copies. But now the Patent Office will make as many copies for the attorneys as desired. They claim to have made a profit last year on this work of more than \$100,000. But if they figured in all the costs which private business has to figure in, there would not be this profit.

Furthermore, it is just as indefensible for a government bureau to claim it is making a profit as it would be to claim that it is operating at a loss. In either event the money comes from the taxpayers to carry on the undertaking.

SIMILAR complaints have come from blue-print makers, from architects, shoe manufacturers, clothing manufacturers, insurance men, transportation managers, and from a hundred other lines, all indicating a widespread interest.

At least a score of doctors have written complaining of the new competition through the veterans' hospitals. The medical profession is beginning to feel the pinch. Various examples are given of widespread abuses, where private citizens are allowed to use government hospitals and dispensaries and receive medical services at ridiculously low prices.

Of course, taxpayers make up the difference. Social services by the State ultimately must be paid by the wage-earner. There is no magic purse out of which the cost of these expenses can be defrayed. Governments do not pay pensions; they merely appropriate income provided by someone else.

So, when one citizen or group of citizens gets something below market value, some neighbor is paying for it.

WHEN THE CALL  
TO **WASHINGTON**  
COMES FOR YOU

GO IN  
**AIR-CONDITIONED  
COMFORT**  
ON  
**THE  
GEORGE  
WASHINGTON**

*The Most Wonderful Train in the World*  
**Completely Air-Conditioned**

The reason why you are called to Washington may concern a million people. But the matter of how you will get there, and how return, is purely and highly *personal*. A railroad ride to Washington, these warm summer days, might mean a long, hot trip for you.

It might—if there were no train called "The George Washington". But The George Washington is available—ready to carry you all the way in *spring-time comfort!* Through its luxu-

rious new cars, clean, fresh, tempered air is scientifically circulated constantly. You can ride comfortably—sleep soundly—awake refreshed. And there is *no extra fare*.

So, accept the call to Washington without dread of the trip. Arrange to ride in perfect comfort on The George Washington.

Westward (Read down)	Eastward (Read up)
6:01 PM Lv. Washington	Ar. (EST) 8:30 AM
8:45 AM Ar. Cincinnati	Lv. 5:45 PM
10:59 AM Ar. Louisville	(CST) Lv. 1:00 PM
10:40 AM Ar. Indianapolis (Big Four Ry.)	Lv. 2:10 PM
3:00 PM Ar. Chicago	Lv. 10:05 AM
4:45 PM Ar. St. Louis	Lv. 9:04 AM



**CHESAPEAKE**

and **OHIO**

*When making reservations on THE GEORGE WASHINGTON please mention Nation's Business*



# The New York Trust Company

100 BROADWAY

40th St. & Madison Ave.

Fifth Ave. & 57th St.

## CONDENSED STATEMENT OF CONDITION

At the close of business, June 30, 1932

RESOURCES	LIABILITIES
Cash on Hand, in Federal Reserve Bank and Due from Banks and Bankers \$66,249,697.70	Capital . \$12,500,000.00
United States Government Securities . . . . . 56,818,954.73	Surplus . . . . . 20,000,000.00
Other Bonds and Securities 39,418,508.87	Undivided Profits . . . . . 1,837,541.52
Loans and Bills Purchased 116,399,727.51	Reserves:
Real Estate, Bonds and Mortgages . . . . . 5,481,094.77	For Contingencies . . . . . 12,500,000.00
Customers' Liability for Acceptances and Letters of Credit . . . . . 12,652,637.21	For Taxes, Interest, etc. . . . . 2,360,695.23
Accrued Interest and Other Resources . . . . . 1,846,046.00	Deposits . . . . . 202,321,234.95
Liability of Others on Acceptances, etc., Sold with Our Endorsement . . . . . 3,081,017.81	Outstanding Checks . . . . . 33,894,965.73
	Dividend Payable June 30, 1932 . . . . . 625,000.00
	Acceptances and Letters of Credit . . . . . 12,827,229.36
	Acceptances, etc., Sold with Our Endorsement . . . . . 3,081,017.81
<u>\$301,947,684.60</u>	<u>\$301,947,684.60</u>

Member of the Federal Reserve System and of the New York Clearing House Association

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## Leave the People Something to Do!

**T**HE tumult and the shouting of our political conventions has died away, and the captains and campaign managers have departed. In a short time our quadrennial campaign will be in full swing, the country's plight will be duly depicted and medicine prescribed to fit each diagnosis.

Just one hundred years ago a great historian and philosopher, detached from the hurly-burly of politics, made a suggestion which is pertinent today, Macaulay wrote:

Our rulers will best promote the improvement of the nation by strictly confining themselves to their own legislative duties,

by leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment,

by maintaining peace,

by defending property, and

by observing strict economy in every department of state.

Let the government do this—and the people will assuredly do the rest.

How different our modern approach! Government is no longer the simple affair of our forefathers. To it we ascribe superhuman and supernatural powers, forgetting it is only a cross section of the citizenry of the country, with all the ambitions, inhibitions, vices and virtues of the rest of us.

Yet we solemnly propose through this growing and gangling organization called government to make and unmake economic laws, to impose on intelligence and industry increasing penalties, the while coddling and condoning idleness and folly.

It is a fair question which only future students of this period can answer:

Has recovery from the depression been delayed because of our feverish attempts to

short-cut normal and natural forces by edict and fiat? What matters human nature and economic law when we have a legislative body!

For our recourse to a political administration of all our affairs we are paying a price. Today governmental overhead has reached 30 per cent—fifteen billions out of a total national income of fifty to fifty-five billions, with between eighteen and twenty millions of our people dependent upon tax pay rolls. We pay another price, the price of economic freedom.

History is replete with examples of this. Dr. Samuel Dill, reviewing the decline of the Roman Empire, says:

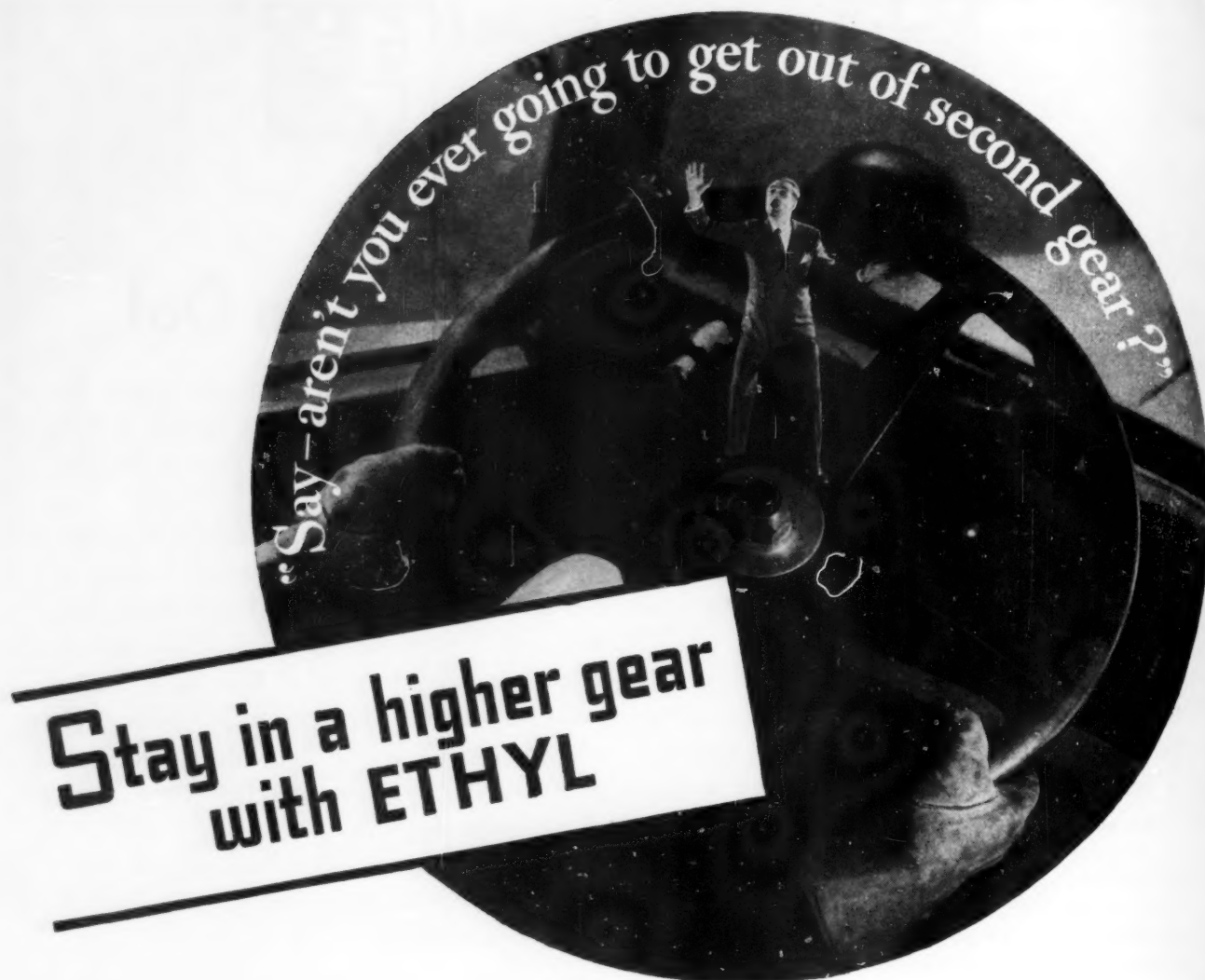
The system of bureaucratic despotism, elaborated finally under Diocletian and Constantine, produced a tragedy in the truest sense, such as history has seldom exhibited; in which, by an inexorable fate, the claims of fanciful omnipotence ended in a humiliating paralysis of administration; in which determined effort to remedy social evils only aggravated them until they became unendurable; in which the best intentions of the central power were, generation after generation, mocked and defeated by irresistible laws of human nature.

During the coming months, candidates will promise relief for this and that through law, or regulation, or outright dole. Each proposal will call for additional administration and expense. To all such the voter should reply as did the French philosopher:

That government is best which paves the way for its own resignation.

In other words, the candidate who promises "to govern least" will get my vote.

*Merce Thorne*



**T**RUCKS that grind along in second or third when they should be "in high" are wasting your money. Ethyl Gasoline can stop this waste for *you*, as it has for hundreds of other truck users.

Ethyl Gasoline gets your truck through the gears faster on every start. Engine revolutions per trip are reduced—and that's what you really pay for in maintenance. Fleet owners who've made comparative tests over long periods of time have found that the savings well exceed the extra cost of Ethyl.

Gasoline mileage is improved by Ethyl—because engines that are using the direct drive don't turn over so fast, can't use as much gasoline. Engine overhauls and carbon removals are needed less frequently. Deliveries can be speeded up.

These advantages can be yours—try Ethyl. And remember—*one* truck using Ethyl won't show the economy of using it in a fleet. Try it in *every* truck! Ethyl Gasoline Corporation, New York.

#### NO KNOCKING WITH ETHYL

The anti-knock standard of Ethyl Gasoline has recently been raised still higher. You now get even greater value for the slight extra cost.



*Ethyl fluid contains lead*

© E. G. C. 1932

*Cut down engine revolutions per trip with*  
**ETHYL GASOLINE**

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# NATION'S BUSINESS

Published at Washington by the Chamber of Commerce of the United States

MERLE THORPE, Editor

AUGUST, 1932

VOL. XX No. 8

## As the Business World Wags

THUS WE MAY SEE, QUOTH HE,  
HOW THE WORLD WAGS—*As You Like It.*

### Ready for The Upturn



THE watcher for breaks in the business clouds saw some in late June and the first part of July. Here are some things that brought a little sense of relief:

The end for the present of any fear for the gold position of the United States. Neither abroad nor here, was there fear for the stability of the dollar.

The passage of the tax bill carrying a hope of a billion of added revenue was a long step towards a balanced budget.

Indications at Lausanne of more reasonableness on the part of France and other European countries with a hope that a workable agreement on the question of reparations might be reached.

Increases in the prices of pork and beef products.

Certain measures of business activity which we have seen declining with a startling rapidity seem now to be steadying or at least to be dropping more slowly. And with that is a feeling that perhaps we are near that "bottom" which we must strike before we start up.

A modest list to which additions might be made and against which many discouraging things might be brought forth.

### Government Must Curtail



"HOW did you do last year?" was the question put to a business man.

"Well," said he, "I took in about \$20,000 which was \$10,000 less than a year ago. My expenses were \$50,000

which was an increase of only about \$8,000. So I'm about \$30,000 back on the year. I borrowed another \$25,000 last year and now I owe less than \$200,000. How's that?"

Add five ciphers to each of those figures and you have a picture of the Federal Government finances for the year from July 1, 1931 to June 30, 1932. Income two billions, outgo five billions.

It would not be fair to carry the comparison too far. Government and business are not always parallel. Government is not a profit-making machine.

A good part of the increase in Federal taxes was due to relief measures. The Reconstruction Finance Corporation got \$500,000,000 and the land banks \$125,000,000. There were increases in public works and an increase of \$80,000,000 for veteran relief. Postal revenues were down with a result-

ing \$57,000,000 deficiency. (Query: Will increasing rates increase revenues or deficits?)

The picture viewed from any angle is not pleasing. Yet the future has its brighter spots. There has been some effort at savings, and a tax bill which will go far to make income equal outgo.

### The Course of Prices



THE *Wall Street Journal* just celebrated the 50th anniversary of its birth and deserves and receives our congratulations as an ably edited, comprehensive journal of financial news.

In its special numbers there is a mass of historical data of the last 50 years. One set of tables brought home vividly the present status of commodity prices.

The Journal publishes the high and low of eleven commodity prices for each year since 1882, the year of the newspaper's foundation.

Wheat has been down to 47½ this year but it was three cents lower last year and in 1895 was down to 48½.

Corn has been at 27½ this year. In 1896 it was 19½.

Oats have sold as low as 20½ this year. In the five years 1895 to 1899 inclusive they were at some times lower with a record drop in 1896 to 14¾.

Rye has been quoted down to 34½ in 1932. In 1896 that cereal sold at 28.

Lard at 3.72 a hundred pounds is this year's low, but lard was 3.05 in 1896. It is interesting to note that lard at wholesale sold for \$35.85 a hundred in the glittering year of 1919, more than we are paying for butter at retail now.

Sugar was as low as 3.70 this year. In 1895 it was 3.68.

Cotton down to 5 cents for New York Middling Uplands this year was at a 50 year low, although in 1898 and '99 it was under 6 cents.

The metal story is somewhat different. The 1932 lows for copper (5¼ cents), for lead (2.90), for zinc (2.30) have not been equalled in the 50 years. Tin is an exception. It sold down to 18.35 this year. It was 13 back in 1897.

### Economy Platforms



FOR a decade or more this magazine has been battling for economy in government. It recognized long ago that the mounting tax burden would some day become unbearable. For a time its effort brought only luke-warm response. Then the interest grew. Industries began to see that their taxes were increas-

ingly out of proportion to their incomes. Chambers of commerce watched with concern mounting tax bills and bonded indebtedness.

Depression made the battle acute. Taxes were unwelcome at any time, but taxes to be paid from half empty pocket-books called for action.

Political platforms have always favored government economy. So does everyone else in principle. This year the planks seem more certain, to be intended not as mere words but as a promise to be performed. They are worth reading side by side:

#### REPUBLICAN

Constructive plans for financial stabilization cannot be completely organized until our national, state and municipal governments not only balance their budgets but curtail their current expenses as well to a level which can be steadily and economically maintained for some years to come.

We urge prompt and drastic reduction of public expenditure and resistance to every appropriation not demonstrably necessary to the performance of the essential functions of government, national or local.

#### Economy, But Where



THE proposal in the Democratic platform to abolish "useless commissions and offices . . . to accomplish a savings of not less than 25 per cent in the cost of the Federal Government" is an admirable one. That would mean a saving of a billion dollars a year, about eight dollars for every man, woman and child in the country.

What we want to know now is what commissions, what offices, are useless and should be abolished. Most of the cuts effected by the so-called economy bill were not aimed at the roots of the evil of too much government, they were palliative only, designed to make an appearance of economy, to save some money at the moment with an implied promise of restoration later.

#### Campaigns Against Taxes



THE campaign of education into government costs goes on. In June we told of a landlord who in sending out his monthly bills told tenants what part of their rent would go for taxes.

The other day John McKinlay, president of Marshall Field & Company, sent us a copy of a letter he had sent to 50,000 friends of the company, wholesalers, manufacturers, and some retail customers. In it was a comparison by agencies of the costs of Federal Government in 1927 and in 1932 with a request that each recipient of the letter "should impress upon his Senators and Congressmen the vital necessity for a changed attitude on this fundamental question."

The Chrysler Corporation on June 30 sent dividend checks to its stockholders and accompanied them with a message from Walter P. Chrysler, two paragraphs from which follow:

There is no good reason why the government itself should be immune to the necessity or desirability to economize which everyone else has had to face, and there is certainly no good reason why the government itself, city, state and Federal, should not refrain from needless expenditures that no business could tolerate and still remain solvent.

Stockholders of Chrysler Corporation who share these views

#### DEMOCRATIC

An immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus and eliminating extravagance, to accomplish a saving of not less than 25 per cent in the cost of Federal Government; and we call upon the Democratic Party in the states to make a zealous effort to achieve a proportionate result.

## NATION'S BUSINESS for August, 1932

should urge upon their Representatives in Congress and in their states and local communities the necessity for governmental economy and demand that our entire tax system be established on a more equitable basis. Such a course would certainly have a stimulating effect upon business generally, as well as upon our own industry.

#### Not Our First Depression



ALEXANDER WINTON "built and sold the first American-made gasoline car" say the chroniclers who recorded his death the other day. Any statement so positive as that may be challenged but at least he was in at the birth of an industry whose growth not even he could have visioned.

Look out of your office window and count the cars you can see. Yet this man who died the other day helped make the first one offered for sale. In one lifetime he saw that car multiplied to twenty-three odd million.

The second car he ever made he drove from Cleveland to New York in 1897, taking nine days on the trip and buying his gasoline in drug stores for there were no filling stations.

Did ever an industry grow so fast—from four cars registered in the United States in 1893 to 23,000,000 in 1931? And is a nation capable of such things incapable of pulling itself out of a time of despair and going to bigger things?

#### Exporting Surplus Stocks



WITH all the talk and fear of surplus stocks of cotton and wheat, with all the head-shaking over our export business the fact remains that in the first five months of this year we exported more wheat and more cotton than we did in the first five months of 1931. Measured in bales and bushels the increase was large; measured in dollars it was substantial.

Here are some statistics reduced to round numbers:

In the first five months of 1931 we sent abroad 1,250,000,000 pounds of raw cotton worth \$135,000,000. In the first five months of this year we sent abroad 2,000,000,000 pounds of raw cotton worth \$150,000,000.

In the first five months of 1931 we sent abroad 13,000,000 bushels of wheat worth \$10,000,000. In the first six months of 1932 we sent abroad 31,000,000 bushels of wheat worth \$20,000,000.

In the case of wheat part of this may be attributed to the shipments by the Federal Farm Board to China and Brazil, but the net of it all will be to help solve the problem of accumulative surplus which hangs over the heads of these two crops.

#### Checking Self- Help by Coal



IN the last 25 years our annual soft coal production has ranged from 333,000,000 tons in 1908 to 579,000,000 tons in 1918 under a varying productive capacity which in 1923 reached 970,000,000 tons. The former figure could be increased indefinitely. The result has been over-plant capacity, a tendency to below-cost sales and, with the slightest slipping of business, a badly demoralized industry. Employment has been uneven and dividends uncertain. Neither of the three elements, labor, capital or management, has benefited. In short the bituminous coal business shows all the evils of unlimited supply plus unrestrained competition—evils which led the Chamber of Commerce of the United States to declare for a federal tribunal "to permit agreements for curtailment of production in such an industry."

That plan has not yet been tried. Meanwhile the industry sought its own way out. Operators representing 73 per cent of the southern high volatile fields formed Appalachian

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Coals, Inc., a regional sales agency, believing that orderly distribution would tend to prevent either over or under production.

The coal men submitted their plan to the Department of Justice. The Department said it wished the coal men all success in bettering their industry but—they'd either have to get legislation permitting the regional sales agency plan or face a law suit to test its legality.

The coal men elected the latter alternative and formed their company which before it has ever functioned is being proceeded against in the Federal Courts for violating the Sherman Act.

Two things to note about this proceeding:

First, the government which brings suit against numerous coal companies in their effort to effect an economic balance between production and consumption is at the same time urging upon railroads consolidation to lessen wasteful competition. It has fathered a Timber Conservation Board and an Oil Conservation Board, and is enforcing a "unit production" policy by oil producers operating on government land, all with a view to lessening wasteful competition in industry.

Second, there is great need for reconsideration of the Sherman Act and for legislation along the lines of the Chamber's recommendation. The government recommends, facilitates and enforces conservation measures in the use of natural resources and at the same time must enforce a law which denies to industry the right to take such conservation steps of its own accord.

### Strengthening Bank Credit



FOR some months a group of business men have been working for a wider use of trade acceptances as a means of further expanding the credit available to business. Men like Irénée duPont, and A. W. Robertson, Chairman of the Board of Westinghouse, have been active in the movement which has now been approved by the Banking and Industrial Committees of the second and third Federal Reserve districts. Companies which have adopted the plan include, besides duPont and Westinghouse, Campbell Soup, American Rolling Mill, General Electric, General Motors, Standard Oil, National Steel and United States Rubber.

The trade acceptance is a simple document. If A sells goods to B he sends with the invoice a trade acceptance, which is a time draft drawn by A upon B and payable upon a fixed date.

B accepts it by signing it across the face and returns it to A who then has a piece of two-name commercial paper which can be discounted at his bank and rediscounted at a Federal Reserve Bank.

The business houses which are urging the use of trade acceptances feel that the wide use of such readily marketable paper would do much to stimulate business.

### Putting Prices Below Cost



The Commission holds that with decreases in family income the value of telephone rates has fallen and says:

While the tendency of the courts in recent years has been to give primary consideration to the cost of operation and return upon value, it must not be forgotten that it is still the law that rates, regardless of their effect upon the financial condition of the company, cannot exceed what the services are reasonably worth.

Try this idea on your own business. You are, we will suggest, a retailer of shoes or a manufacturer of plows. To you, it says:

"Rates (price of your product) regardless of the effect upon the financial condition of the company cannot exceed what the services are reasonably worth."

"Shoes, my income being halved, for which I once paid \$8 are now worth only \$4."

A fine argument!

### Examining Congressmen



all there is to know about criminology and human abnormalities, has been measuring and testing the resistance to pain of United States Senators and Representatives.

Dr. Macdonald has measured weight of brains of 71 Representatives and 18 Senators and has arranged the 89 in order of "Legislative ability." He finds that the heavier the brain the greater the legislative ability and that Senators are heavier brained and higher in legislative ability than Representatives.

And what is the learned doctor's measure of legislative ability?

"Legislative ability is based upon the number of bills, resolutions, and amendments introduced, reported, passed either House, or enacted into law; also upon the frequency of remarks and number of subjects discussed upon the floor."

He who introduces the most bills, talks the most and on the most subjects is the ablest legislator!

And all this with masses of figures of uncertain worth plus others on resistance to pain and strength of hand grasp are read into the *Congressional Record* and reprinted in pamphlet form!

### What Hope For Sugar



SUGAR is a world commodity which has recently felt a slight bullish movement. A world eager for any price upturn welcomed the news. Better sugar prices would bring relief to many parts of the world but the unfortunate part is that present hopes of better prices seem to be based on governmental efforts to keep surplus sugar off the market.

The experiments along that line of our Government with wheat and cotton, of Brazil with coffee, of Great Britain and others with rubber are not such as to hold out high hopes of permanent betterment to the Cuban growers of sugar.

### A Note from Mr. Calkins



IN an article in July NATION'S BUSINESS entitled "Depression Is the Fashion" in paying tribute to Mr. Frank G. Shattuck for his courage in starting a vigorous advertising campaign during the business depression, I inadvertently said, "A few months ago Schrafft's was in the red to the tune of something like \$60,000 a month."

I have since been informed by the Frank G. Shattuck Company which operates Schrafft's that this is not true and that at no time during the past 20 years has the company failed to earn a profit. I am sorry if I have unintentionally done any injustice to the Shattuck Company or to Schrafft's, a house of which I have a high opinion, as must have been evidenced by the tone of my article.

The editor of NATION'S BUSINESS has generously allowed me to make this correction, which I am glad to do.

—EARNEST ELMO CALKINS



# Bulletins from the Taxation

By Morris Edwards

**W**HAT DO we do when we get to spending more than we are taking in? Spend less or go broke. So do states and cities. They do both. Most of them are spending less. A few, but encouragingly few, are going broke.

This has been a hard year on what once were convincing reasons why taxes could not be reduced. You remember the stock answers of 1929 to the question: "Why can't we reduce taxes?"

1. "The people aren't interested." In Wisconsin, Indiana, Mississippi, Utah, Oregon, North Carolina, California, Virginia and a score of other states, it turned out that all the people wanted was a sporting chance to show their interest.

2. "The politicians run the whole business." Maybe that is still true. If so, the politicians did a whale of a good job in Detroit, Pittsburgh, Buffalo, Baltimore, Cleveland, Cincinnati, Tacoma and Akron.

3. "To cut taxes, the cost of education has to come down, and the people won't stand for that." That may have been the case until events of this year in Minneapolis, Toledo, Rochester, South Bend, Muskegon, Indianapolis and Chicago.

The barriers against tax reduction are down. Treasury deficits, lack of a market for bonds, shrunken business earnings, reduced industrial wages, declining property values, non-payment of taxes, some uncommonly fine work by chambers of commerce and taxpayers' associations, and strong leadership by men in public office, all combined to bring them down.

In the score or more of states and in the several hundred cities recently studied by the Chamber of Commerce of the United States, the results of the 1932 drive for lower government costs have been surprisingly uniform. The cut has run usually about ten per cent. Isolated communities have cut their taxes by as much as one-third or one-half.

Each case is its own story. Here are some of them in a nutshell:

**MADISON, Wis.**—This spring 101 cities and 52 counties reduced their aggregate tax levies by \$10,600,000 or 12 per cent under those of 1931. Most of the savings were in maintenance and operating expenses. Some were in salaries. Issuance of bonds for public works has fallen off appreciably. These results grew out of a campaign during the past year headed by the Wisconsin State Chamber of Commerce, local business organizations, and civic groups. Thousands of people attended district meetings in 21 cities, held to discuss means of cutting taxes. The whole movement was

marked by uncommonly vigorous action by municipal officials.

**INDIANAPOLIS, Ind.**—Of the state's 92 counties, 86 cut their taxes in 1932 by a total of about \$7,000,000. This followed reductions of \$4,800,000 in 1931 in 74 counties. In 64 counties, taxes are less than they were in 1923. Taxes of all units in the state reached the top of \$150,000,000 in 1929, dropped to \$145,000,000 in 1930, then to \$140,000,000 in 1931, and to perhaps as low as \$130,000,000 in 1932. This climaxes years of work by the Indiana Taxpayers' Association and local chambers of commerce, particularly in Indianapolis, South Bend, Fort Wayne and East Chicago. A new organization, the Indiana Association for Tax Justice, says that 1933 taxes should be cut by an additional \$42,000,000 to bring them to a level at which they would absorb a proportion of the people's income no larger than they did in 1921.

**SALEM, Ore.**—One county after another this spring levied the lowest taxes in ten years. A reduction of ten per cent is under rather than above the average for the state. Compared with 1931 levies, the 1932 reduction in Johnson County was 18 per cent; Sherman County, 15 per cent, and Washington County, 20 per cent. In Sherman County, the recent cut brought taxes to 37.5 per cent under the 1929 peak.



**OF Indiana's 92 counties, 86 cut their taxes in 1932 by a total of about \$7,000,000. This followed reductions of \$4,800,000 made in 1931**

**RALEIGH, N. C.**—This year 45,000 miles of highways outside of cities were transferred from local boards to the state highway department. That knocked about \$8,000,000, or 16 per cent off the local property tax bill. The state also took over the financing of a minimum six months' school term

throughout the state. That provided another chunk of property tax reduction. The state also put the brakes on the issuance of local bonds, and compelled local governments to make adequate provision for paying their debts in the future.

**JACKSON, Miss.**—State expenditures for 1932-33 are nearly 35 per cent under the 1931-32 level. This resulted from necessity. The money just was not there to be spent. Last year Mississippi appropriated \$30,000,000 for state purposes. This year the total is \$20,000,000. Cuts of 50 per cent or more were made in such items as assessors' salaries, state plant board, research commission, agricultural high schools, Confederate pensions, and agricultural experiment stations. Cuts amounted to 25 per cent or more in the state health board, common schools, state institutions of higher

# Battlefront

★ "CAN'T we reduce taxes?" was once a futile question that provoked a hopeless response. Today the old lethargy is gone. States and cities are proving that real reduction in taxes is possible

learning, state insane hospital, legislative expense, and charitable institutions.

**ATLANTA, Ga.**—Governor Richard B. Russell, Jr., has just reorganized the state government. Where there used to be 102 commissions, bureaus and offices, there now are 17 departments. The saving is expected to run into seven figures. Seventy-five of the state's 159 counties reduced their tax rates this spring. Two counties cut their taxes in half.

**NEW YORK CITY**—The most recent step in a series of maneuvers to cut the cost of governing America's largest city is the organization of the Citizens' Budget Commission, formed by prominent civic leaders to bring about a tax reduction "of from \$20,000,000 to \$100,000,000." It consolidates the work on fiscal problems of the New York Merchants' Association, the Chamber of Commerce of the State of New York and the New York Real Estate Board. The city government has taken a number of economy steps in recent months. One was the knocking out of authorizations for more than \$100,000,000 of bond issues to finance public works. Pressure from bankers holding the city's notes has been a material element in promoting economy decisions.

**DETROIT**—On June 30, Detroit closed its most turbulent fiscal year in a generation. When the year started, the budget was \$76,000,000. Before it ended, expenses had been cut through salary reductions, elimination of unnecessary jobs, discontinuance of automatic salary increases, and abolition of some activities in their entirety, until less than \$60,000,000 actually was spent. Further drastic economies are being carried out in the new budget. Detroit was the first large city to start operating on the principle of spending no more than it takes in. As tax revenue has declined, expenses have been cut. A large floating debt from past years has made it impossible for Detroit to borrow more money. There was nothing to do but start living within its income.

**CHICAGO**—Mayor Cermak says "Chicago



**THIS spring 101 Wisconsin cities and 52 counties reduced their aggregate tax levies by \$10,600,000 or 12 per cent under last year**

faces its most serious crisis since the fire of 1871." Because no money is available, the pay of many classes of public employees is months in arrears. Operations and expenses have been and still are being cut to get them within available income. This spring, 2,500 jobs were abolished. The schools alone have cut out more than \$10,000,000 of expense. Some salary cuts have been as large as 27 per cent. The new budget, formed during May and June, carries 1932-33 appropriations to the lowest total in a generation.

When J. L. Jacobs, efficiency expert, took over the office of assessor recently, he began his new duties by reducing the

force of employees from 491 to 90.

**BALTIMORE**—Before budgeting its expenses this spring, Baltimore fixed its tax rate. The rate decided upon promised to produce about \$2,000,000 less than last year. Expenses were adjusted accordingly.

**PITTSBURGH**—After starting the year with a budget of 13 per cent under that of 1931, Pittsburgh has made several additional retrenchments since January 1. Where the cost of municipal government not long ago approached \$30,000,000 a year, it now is getting down toward \$20,000,000. Most of the saving is in salary items. Seventy-four positions recently were abolished.

**BUFFALO**—The new budget just adopted is \$2,500,000 less than appropriations of a year ago. This is 50% of the amount of cost reduction sought in recent months by civic organizations and the Bureau of Municipal Research. The savings were made by means of salary reductions, elimination of numerous positions, and the reduction of several secondary activities to a half-time basis.

**TOLEDO**—Faced this spring by a 35 per cent decrease in tax revenues, Toledo has cut its expenditures accordingly. Salaries have been reduced sharply. In many departments, vacancies are not being filled. Numerous positions in the civil service have been abolished.

**CLEVELAND**—On June 23, Cleveland started cutting expenses to offset a drop of \$10,000,000 in tax revenues. Savings of \$3,000,000 in the public schools, \$3,500,000 in the city pay roll, and \$2,000,000 in the county government now are effective. In the schools, "frills" and special services suffered particularly. Much of the drive for reducing municipal costs came from the Joint Committee for Public Economy representing 23 allied citizens' organizations.

**SEATTLE**—The city just completed six months of



**ONE Oregon county after another this spring levied the lowest taxes in ten years. The average reduction is more than ten per cent**



operation under a 1932 budget of \$9,100,000. That is \$906,000 under the 1931 cost. The appropriation of every department except one was materially cut.

**ATLANTIC CITY**—Current expenditures are at a rate \$2,000,000 a year under those of 1930-31. Retrenchment has been effected all down the line.

**TACOMA**—Taking the initiative in putting into work recommendations made by the Tacoma Chamber of Commerce, Mayor M. G. Tennent has just effected a reduction of more than ten per cent in municipal costs. He is trying to take the city out of several lines of business in competition with private firms. The municipal dock department may be transferred to private interests to save its deficit of \$8,000 a year.

**ROCHESTER, N. Y.**—Through splendid cooperation of public officials and civic agencies, Rochester is spending \$15,000,000 this year, as compared with \$18,000,000 last year. Much of the retrenchment came in the curtailment of secondary activities of the Board of Education.

**AKRON, O.**—One of the country's finest examples of clear-headed municipal housekeeping, Akron had its affairs in order at the close of the first half of 1932 as a result of a succession of economy measures enforced during the past year.

From a budget which at the outset was \$11,000,000, cuts of \$875,000, then \$236,000, and finally of an additional \$915,000 have been made through the close cooperation of the mayor with the Bureau of Municipal Research of the Akron Chamber of Commerce. The city shot at the mark of not increasing its tax rate, despite large delinquencies in collections. And hit it.

**SCHENECTADY, N. Y.**—In the course of a recent survey which brought to light savings of \$1,500,000 which might be made in the city's new budget, it was found that from \$70,000 to \$90,000 a year could be saved in the municipal ash and garbage collection services alone if the employees were required only to collect waste material from the curb instead of going into the cellar of each house to get it.

#### **MUSKEGON, Mich.**

After trimming \$143,000, or 18 per cent, from an \$800,000 school budget, and \$103,000 from a \$610,000 city budget, Muskegon city officials and civic forces joined in resistance to a federal appropriation of \$300,000 for work on the city's harbor on Lake Michigan.

The city had sought \$150,000 of federal funds for years, but asked its congressman to vote against the \$300,000 appropriation because it was excessive and because "this is no time to be incurring more federal taxes and debts."

**WOONSOCKET, R. I.**—The city recently trimmed expenditures, but chose to apply the \$583,000 saving to a reduction of indebtedness rather than a reduction of taxes.



**MISSISSIPPI'S** state expenditures for 1932-33 are about \$20,000,000, nearly 35 per cent under the 1931-32 level

Notwithstanding the unusually large amount of debt retirement, the city recently closed its year with a \$53,000 surplus, paving the way for an early reduction of taxes.

**OSHKOSH, Wis.**—The city now is operating on a budget of \$1,200,000 as compared with nearly \$1,600,000 last year, and the county is getting along on \$507,000, whereas it used to spend \$772,000. Adding these to a reduction

in taxes levied by the state government, the year's economies total more than \$600,000.

**FALL RIVER, Mass.**—Under a municipal reorganization carried into effect by a state commission which took over its affairs when the city government broke down not long ago, Fall River has cut municipal salaries from 20% to 40%, closed eight school buildings; eliminated all kindergartens; dismissed all school supervisors, athletic coaches and 145 school teachers; abolished recreational and playground activities; eliminated child welfare and special maternity work; closed branch libraries, and stopped construction activities except those of emergency nature.

**PONTIAC, Mich.**—Taxes in Pontiac now are roughly 30 per cent under the peak year of 1930-31, when they totalled \$1,860,000.

Last year the total dropped to \$1,570,000, and at the present time the budget is about \$1,200,000. Every department's costs have been trimmed, with particularly large cuts in appropriations for fire and police protection, street maintenance, library, and welfare activities other than unemployment relief.

**MAMARONECK, N. Y.**—As a result of a 10% salary reduction, consolidation and elimination of positions, and reduction of allowances for materials and supplies, the city has reduced its budget from \$526,000 in 1931 to \$415,000 in 1932, a retrenchment of 21%.

**APPLETON, Wis.**—The 1932 tax rate is exactly one-half that of 1931. Part of the reduction was permitted by a reassessment of property which demonstrated that much property had not been paying its fair share, and that some property had been escaping entirely.

The rest was made possible by a reduction of 1932 expenditures to \$860,000, as compared with \$1,231,000 in 1931, growing out of a joint piece of work by the Chamber of Commerce and municipal and school officials.

**HAMTRAMCK, Mich.**—This community in the Detroit metropolitan area has just effected economies in operating costs permitting it to reduce its expenditures from \$96,000 per month to \$57,000. The number of municipal employees was reduced from 116 to 30, saving \$17,000 a month.

Revision of the contract for removal of refuse saved \$2,867 monthly. Rearrangement of office quarters cut monthly rentals from \$575 to \$350.



**TRANSFER** of 45,000 miles of roads to local boards knocked \$8,000,000 or 16 per cent off North Carolina's local property tax bill for this year



# What's Going on in Washington

Another Letter from W. M. Kiplinger

DEAR MAC:

THIS month I'd like to ramble with you about Washington. I'd like to show you a bit about the press, about certain phases of politics, and about Government. I'd like to have you peer into side windows of situations which ordinarily you see only from the front. I'd like to do it idly, as befits hot weather, and to avoid Great Truths.

**The Press** YOU rely upon the press for most of your information, which is the raw material out of which you build judgments of Washington. The press normally sheds light on everything except itself. This exception is due to a traditional habit of professional self-reticence, plus realization that the white light of publicity is often annoying to the object, plus the inevitable tendency of writing persons to think that things long-familiar to them represent "old stuff" uninteresting to the public. These are amiable faults, but they are faults.

The reader, who is the most important individual in the press picture, ought to know as much as is reasonably possible about the system by which the news reaches him, so that he may sift, weigh and use the news to his own best advantage.

In considering what I have to say about the press you must realize, of course, that I am a member of it, though no longer an active daily news man, that I understand the difficulties from long experience in wrestling with them, and that I am essentially sympathetic. My criticism is friendly, and is intended, not for the benefit of the press, but for the benefit of the reader who must use the product of the press in his every-day occupation.

Every time I get out of the hot-house atmosphere of Washington and have a chance to talk to ordinary folks, I am impressed with the weirdness of their ideas about Washington. This suggests that there must be some universal fault in the system by which they acquire their ideas. If this is the case, then the fault is that of the press. I cannot help wondering, therefore, whether we Washington writers do a good job of informing the folks back home, and whether there are not major deficiencies in all of us writers at this end of the line. (I include myself in this, for I notice that my own regular readers are often as twisted as anyone else.)

Let us take a look at Washington news men. Approximately half of them were bright and shining lights back home on their home-town papers, and their promotion to Washington was in recognition of merit. In a sense they were picked men. They were bright young men, and after years spent in Washington most of them are still bright and still young.

Considered generally, Washington news writers are conscientious and intellectually honest. They understand that their responsibility is primarily to their readers, and that they are the information agents for their respective publics. They cannot be bribed, and they cannot ordinarily be "wangled" into writing flagrant untruths.

Most are hardworking. Their hours are long and irregular. They dig diligently and patiently for facts which public men often prefer to conceal. Their job is not easy.

Why then do so many readers have distorted conceptions of Washington? There are doubtless many reasons, and I shall suggest to you only a few.

The emphasis on the spectacular in news is excessive. This is a human trait and the press merely goes along. A trivial verbal combat in Congress gets a column on the front page, and crowds out news of greater significance. An inconsequential difference of judgment between two leading directors of the Reconstruction Finance Corporation leaks out and is represented recurrently in the press as a "row" or a "quarrel," accompanied by "bad feeling." It sounds good, it looks logical. It is 15 per cent true, and 85 per cent untrue, therefore essentially untrue. The "clash," the "tilt," the "crossing of swords,"—these are the metaphors which the press puts forward with enthusiasm, and which conceal the bigger events or reasons lying behind the clash, the tilt or the sword crossing.

The emphasis on "politics" is misleading. Everything is seen as "politics." Every motive is represented as "political." Politics is a very real influence and is omnipresent in Washington, but there are various grades of political motivations, and the tendency is too often to drag the higher political motives down to the levels of low motives.

The uncritical acceptance of the utterances of high officials is general. There is too much respect for the "public statement." There is an "awe" which goes along with the words of the "big man," and which results often in giving undue weight to the words, merely because they come from a high quarter. The press could and should be more discriminating. To say this is to be journalistically heretical, for the prevailing practice is such that the public man is news, no matter how preposterous his words or deeds. It becomes desirable, therefore, to warn the reader against swallowing whole the statements of public men as reported in the press. They are not true *merely* because they are said and printed. The reader must be on guard.

In connection with this comment, let it be said that seldom does any important announcement come out of Washington, emanating from some "high authority," without first having been discussed, debated, considered, and even gossiped by the underlings—both high underlings and low underlings. These are the sub-officials, the technical advisers within the government, or even the private citizens who represent various public groups in Washington. Seldom, therefore, does any public announcement come as a "surprise."

The average newsgatherer is too busy contacting the high officials to cultivate the numerous lower strata where policies are really made. This is not true of all, but it is true of most.

The emphasis in news gathering is on facts—isolated, specific, tangible, visible facts. There is not enough at-

tention to how the facts fit together into a picture of continuing policy, or what they mean. The meaning is more important to the average man than the facts themselves.

One means of influencing Washington news men is by the social route. Some of them toady. Some have wives who climb, and social climbing in Washington is easy for those who will sparkle for their dinner. There ought to be a turnover of this minority class of correspondents now and then—new men sent, older men called back to the healthier hinterlands, where they will relearn respect for the reader objects of their dispatches, as distinguished from the Washington subjects.

One trouble with younger men is that they are "smart." One trouble with older men is that they often cease to be aggressive, active, day-by-day working reporters, and that they tend to write "out of their heads." The mid-way status is best.

As regards political news, especially during the election campaign, remember these points:

Politics is not primarily a thing of parties. It is not merely a contest between one artificial group known as "Republicans" and another artificial group known as "Democrats." Every political policy has its roots far down in the realm of what we call economics.

Political writers ordinarily pay too much attention to the above-ground foliage of politics, and too little to the economic roots. They are botanists without adequate knowledge of the economic soils. They report the political actions, which are largely effects, instead of the economic facts, which are the causes, the determinants, the dictators of political expediency.

For you, the business man, it is particularly important to recognize some of these points about the character of Washington news. You should realize that Washington usually is overplayed, overemphasized, overpublicized and overrated. You cannot escape it, and you cannot ignore it. You must rely upon the press as your principal information servant. By-and-large the press is a faithful servant, far more conscientious and efficient than you often imagine. But it has its deficiencies, perhaps unavoidable. To know what some of the deficiencies are is one way of helping you to use the news properly.

**Dictatorship** YOU hear much these days about the advantages of some form of dictatorship over the clumsinesses of our democracy. Mr. Selfridge, the London merchant, was quoted as saying, for example, that the democratic form of government could not continue beyond ten years in most nations. Recently when you were "in a mood" you said something like this yourself.

If you knew your Washington intimately, you might suspect that all the governmental brains put together are not sufficient to dictate any permanently satisfactory policy. The men at the top are good enough in their way, but they are not all-wise, and they know it. They have learned, each, a little something. But in these days the quantity of things which they need to know and do not *surely* know is tremendous. They don't know for sure how credit policies will work out. They don't know for sure how the complicated economic forces will resolve themselves. They don't know for sure what will happen if such-and-such is done. The fault is not theirs, but rather that of the whole nation of us.

I doubt the practical merit of dictatorship, even in times like these.

As a substitute there might be some sort of a national

economic council, for the assembling of facts, for the interpretation of facts, for the suggestion of economic courses, for the enlightenment of the public. But the application, the execution and the administration must always be in the hands of elective officials, who are and should be essentially laymen. After all, laymen are safer than experts.

**"Hoover Leadership"** TO SAY anything on this subject smacks of partisanship which I do not intend. Nevertheless there are certain observations which should be made. One is that hindsight is the thing out of which most of us construct our common criticisms of policies. Armed with hindsight we are Little Giants. "This is what ought to have been done."

It is easy.

But what to do now? What to do in the next four years?

Remember that every "good" policy has its "bad" counterbalancing phase. Remember that every political action has its reaction. In normal times the politician who does least succeeds most. This policy made Coolidge a legendary hero. In bad times the political leader who happens to be in authority has everything in his disfavor. The economic odds are against him, and the political and theoretical odds are against his reelection.

Much depends on how well the public understands the reasons behind various policies adopted in the past. On this point the Hoover leadership has been grossly inefficient. The whole Hoover administration, from the top to the bottom, has been neglectful of its privilege (and duty) of explaining consistently and persistently why it does what it does. Repeatedly it has realized after-the-event that it was on the defensive, when it might well have been aggressively and militantly offensive.

**Hoover Personality** MR. HOOVER himself is a man who considers anything resembling showmanship beneath him. In speeches he will not use phrases coined by someone else; he considers them counterfeit. He toils hard and long over his messages and addresses; good or bad, they are his own. His human emotions he does not exhibit. To let-'er-go-gal-lagher is not in his make-up. To play to the galleries with the tongue in the cheek, as some men do, is to him an ignoble act.

In private conduct these traits are considered desirable. In public conduct a majority of our citizens are somehow inclined to regard them as deficiencies.

**Elections** EARLY in July I made my own state-by-state tentative forecast of November election results on the basis of information and judgment from my correspondents in all states. The appraisal was necessarily inconclusive, but it seemed to give Hoover slightly the edge.

The election hinges pretty much on whether Roosevelt can carry New York. If he can, he will be elected. If he can't, Hoover will be reelected.

Tentatively I class Ohio as doubtful, leaning to Hoover; Illinois as doubtful, leaning to Roosevelt; Indiana as doubtful, leaning to Roosevelt; Missouri as doubtful, leaning to Roosevelt; Minnesota as doubtful, leaning to Hoover. These seem to me to be the big doubtful states.

It is never safe to be cocksure about election forecasting, but the same methods which I am using now



were used in 1928 and yielded the correct result three months ahead of the elections, and considerably in advance of the *Literary Digest* poll, which was the best of all forecast efforts. There is no secret to the method. It is not a poll or a straw vote. It depends upon the judgment of thousands of business men, in all states, many of them engaged in political work within one party or the other. They are fairly free of bias in their confidential reports, but allowance is made for bias by checking over a sufficiently large number of reports.

Effort will be made to arrive at a conclusion late in August.

**Congress** KEEP in mind that the Congress which meets again next December will have the same membership as in the last session, and that the new members to be elected in November will not sit until 1933—either in the spring of 1933 if the President-to-be-elected decides to call a special session then, or in December, 1933, at the regular time.

**Taxes** UNDOUBTEDLY it will be necessary to raise new taxes next winter. The general manufacturers' sales tax can and will be enacted then, but it is doubtful whether it will replace the numerous special taxes imposed at the last session. It may be in addition to many of them.

**Budget** THE budget for the fiscal year 1933, which started July 1, is not balanced, but the important point is that remarkable progress has been made in one year, and in a pre-election campaign year, toward approximate balance. From private talks with fiscal officials I gain the impression that they are fairly well satisfied with the budget situation—a little better satisfied than they indicated early in July, when they were talking dolorously about the catastrophic effects of unbalance.

**Economy** ONLY a partial and incomplete job of governmental economy was done in this session of Congress. It was a crude job. Salary cuts were unevenly distributed throughout the government service, some workers being cut more than others, and without logical reason. The quality and spirit of personal service within the government has been hurt, not by the salary cuts themselves, but by the unfairness and unevenness of the distribution.

Organized business groups have conducted propaganda for government expense reduction without adequate information on where and how cuts could be made.

Out of an ordinary budget of about four billions, one billion is for debt, interest and retirement of principal. One billion is for veterans. Three-quarters of a billion is for Army and Navy. About one-half billion is for public works and other construction purposes (during the past fiscal year).

The ordinary civil branches of the government cost around 600 or 700 millions a year.

When people talk of cutting government expenses a billion dollars a year, or 25 per cent, they don't know what they are talking about. Or else they mean to cut the Army and Navy. Or else they mean to cut veterans. Or else they propose to repudiate the public debt, which is preposterous.

A questionable point in the Democratic platform was the promise to save not less than 25 per cent in the cost of Federal Government.

This will catch many votes, but it cannot be fulfilled unless the Democrats are willing to tackle Army and Navy and veterans.

You'd better not subscribe to any of the numerous new propaganda organizations which have for their purpose the reduction of government expenses. You'd better work through the existing business organizations.

**AGAIN** Mr. Kiplinger guides you in a survey of Washington policies and practices. He calls it "peering into the side windows of situations which ordinarily you see only from the front."

The views expressed in these pages are the views of Mr. Kiplinger personally rather than of the U. S. Chamber of Commerce or of NATION'S BUSINESS

**Anti-Trust** IT IS impressive that in the business world there is strong sentiment for revision of the anti-trust laws in one way or another, but that in the political world the idea is still weak. Both party platforms dodged the question, or were so vague as to be valueless as guides. Members of Congress have not yet

been educated on the economic necessities for liberalization.

**Railroads** THE failure of all important railroad legislation in the last session was due to pressure of other issues and to division of counsel as to what should be done. The outlook for next session is hazy.

It now looks as if important railroad receiverships could not be avoided later in the year.

**Banking** THE Democrats in their platform endorse the principles of the Glass banking reform bill, and the Republicans give half-hearted endorsement. These issues remain to be settled:

State-wide branch banking; drastic regulation of the group holding companies, and their gradual elimination or replacement by branch systems; divorce or examination of security affiliates; stricter supervision of national banks and member banks of the Reserve System.

**Credit** THE credit easing policy of the Federal Reserve System has not begun to make itself felt in expanding business activity. Frankly there is disappointment about it in Washington. Consequently there is a tendency to postpone until late August the "expectation" of the effects.

**Business Outlook** MOST Washington authorities look for a low rate of business activity throughout the summer, with ups and downs



balancing each other. They think there will be a few signs of the beginning of a permanent upturn some time in the fall. They are not cheerful, but they are not as alarmed as they were a few months ago.

**Inflation** BOTH party platforms declare against currency inflation. Both are opposed to the bonus, though they do not specifically say so.

This does not insure absolutely against inflation, but it means that only an overwhelming set of economic forces can bring it about, and that the chances are against it.

Fear of suspension of the gold standard has never been strong in Washington, and is now about out of mind.

**Relief** THE Government's policy in administering relief loans through the Reconstruction Finance Corporation will appear "tight." One motive in this is to conserve the federal credit. Another motive is to keep local efforts going strong, to avoid cultivating the idea that localities can lean on the Federal Government at will. This latter point is important, for the burden of unemployment is expected to continue great for two or three years.

The bonus marchers did not get the bonus, but they impressed Washington with the anguish of unemployment. Washington as a city, as a locality, has never felt the depression acutely. Its bread lines are concealed. Its mercantile business has not been good, but it has not gone to pieces as in many cities. Now, through a combination of bonus demonstration and government salary cuts, Washington is feeling the anguish which was felt a year or more ago by many other cities.

**Housing** FEDERAL financing to boost the rebuilding of city slums is now in prospect. The next year probably will be the beginning of a new era in which the nation's attention will be focused on the vast amount of residential construction which can be done under artificial governmental stimulation.

Surely, better housing will be a major economic development of the next five years. The so-called factory-built house is quite likely to be the new industry, comparable to the automobile and the radio of the past.

**Chatter** ONE of the shrewdest political observers in Washington is a man who claims to know absolutely nothing about politics. He is a professional humorist, Strickland Gillilan.

—Rumors have been current of the resignation of Mr. Lamont, Secretary of Commerce, based on ill health. He has no present intention of resigning. His health is not rugged; he is merely overworked, like all other officials these days. Firing and salary cuts for old and faithful Commerce employees, forced by the economy program, made an unusually hard ordeal for him.

—Don't come to Washington expecting to see anything of the George Washington Bicentennial. There's nothing unusual here. It is a sentimental thing, existent in newspaper columns and school pageants.

—Note that the cities whose commercial organizations yell loudest for government economy are the cities trying hardest to get federal loans for something-or-other.

—Note that Hoover gets cussed by Congress, but that

in the end he gets pretty much what he wanted in the first place.

—Note that no administration official now talks for publication about when business will take an upswing.

—The favorite way of killing a bill in Congress is to promote some substitute bill, and confuse members with arguments on technicalities.

—Washington lobbyists are the best-informed single group of men on legislative prospects. They ought to be, because often they make the legislation.

—Whenever you see a man who takes a public post because of the "honor" involved, you see a man who will be soft and worthless.

—The United States Society is another David Lawrence enterprise, designed to promote, among school children, familiarity with governmental current events.

—They say the Government ought to change its book-keeping methods to maintain a capital account, instead of merely a current cash account. There are about as many good arguments on one side as on the other.

—The Democratic platform is beautifully written, and the Republican plank is clumsy. Both promise more than they can deliver, and the plank writers know it. Both are more alike than unlike.

—The trough-bottom of the depression probably is this summer and fall; the calendar year 1933 will show a slowly rising tendency.

—International debts will be substantially washed out in 1933; the United States will not "cancel" but will "revise," thus accomplishing ultimately the same thing.

—Reduction of armaments will never be accomplished on a big scale until some one nation makes a spectacular and seemingly idiotic move; Japan is the Great Deterrent.

—The standard of living in the United States will resume its rise, beginning within a year or two.

—Growth of various forms of state socialism is inevitable—unemployment insurance by state funds, to which employers, workers and the state will contribute; old-age pensions, first for the most needy, later for all, partly so that the aged may be pulled out of the economic race, thereby loading the burdens of *doing* upon the middle-aged.

—Conservative business men are great promoters of state socialism, through their habit of asking the government to do special things for them.

—The thing called "individualism" can be maintained in large degree even in the face of gradually growing socialism.

—Expenses of government will diminish for a few years, then grow. The growth will be not for police or regulatory powers, but for new services which now are not performed, or which are performed by private agencies.

Yours very truly,

Wm. L. Hughes

# Why I Do My Company's Buying

By C. D. GARRETSON

President, Electric Hose and Rubber Company

ILLUSTRATIONS BY DON MILLAR



**PAYING** higher prices may seem to be a peculiar way to attempt to save money but that is the policy Mr. Garretson inaugurated in his company several months ago. The results, as he explains them here, provide a powerful argument against price-cutting

**F**OR THE past several months I have been the purchasing agent for my company, and I expect to continue on the job. I have retained my position as president, simply adding the work of purchasing, and I have never had more fun nor learned so many amazing and profitable things about my business.

I did not become a purchasing agent for reasons of economy alone. For many years my company has been operating according to certain principles of selling and I wondered how well we were living up to the same principles in our buying. I regret to say that we were committing some of the economic sins we were trying to correct with our selling policy.

In normal times, buying is just as important as selling, and in times like these, when so many sellers have the jitters, I am convinced that buying is more important. That this fact is not generally realized was attested by some of my friends who, after I took over my new job, told me that my action was not dignified and would lower my prestige. They thought it highly estimable that I have been closely identified with the selling of my company for 28 years; but I was foolish, in their opinion, to stoop to the buying.

From a logical viewpoint, however, buying and selling are the same transaction, or halves of the same thing. We say that every order we sell has a tendency either to build up or demoralize our future business, depending on the way the goods are sold. The same is true of buying. It is just as necessary to



The price-cutter menaces his own business and the buyer's business

buy goods on which a satisfactory profit is made as it is to sell goods at a profit.

This is not an idealistic nor a philanthropic conclusion, but one that is logical and practical. It costs more to sand-bag every seller down to the lowest possible price than to pay a reasonable profit on the materials we buy.

## Making purchases valuable

AFTER several weeks of study, I wrote the manufacturers who had served us best and told each one that we would confine all of our purchases in his line to him in the future. In this way, I informed each manufacturer, we would make our account valuable, and would trust him to give us the lowest prices, quantity considered, quoted by his company.

Since then we have bought several

thousand dollars worth of materials on open orders. In several instances the prices have been lower than they were under the old method, and one manufacturer has voluntarily reduced his price, made some months ago on a year's contract.

We have found that the lowest possible price is misleading and invariably costs more to get than it saves. Consider the buying of printed material, for example. Our records show that for years we have been sending out specifications for prices, and giving the work to the lowest bidder. Theoretically, that may be the cheapest way to buy; but in practice the method is wasteful.

In the past ten years we have bought stationery and other printing in Philadelphia, Baltimore, Pittsburgh and other cities. In the conventional buying manner, every time we placed an order our purchasing agent first put the thumb screws on the

last printer who did the job, and then tried to get another printer to beat his price. While the prices actually paid were low, the method piled up a lot of expensive correspondence, and we suffered losses because of delayed work, freight expense, mistakes and the lack of technical advice.

About two months ago, I sent for a local printer and, after explaining our buying policy, told him we would give him all our work. He expressed appreciation and assured me that his company would give us the best of service and cooperation.

At the time, we needed some special forms. The last such forms had been bought in another city and had cost us \$4.50 per hundred. When the local man saw the samples he asked if we could not use a standard form, and we found that it would do just as well. On the



standard form we saved \$3.50 per hundred.

On another form we had two words printed in red. Our printer explained that if he could print the line in black he could save us \$1.50 per hundred.

There were several other savings, and they had escaped an experienced purchasing agent for years. I am satisfied that our new method of buying on trust will save nearly \$500 a year on printing alone, and that the indirect saving will be several times that sum.

### Small savings

A FACTORY like ours makes a great many small purchases of items like sweeping compound, soap, paper-towels, tools, belt lacing, and countless others. The average amount of these purchases is around \$10. In many instances I found that we had been spending two dollars or more in correspondence and postage in reducing the last quoted price a few cents. By turning all of these items over to responsible firms in the most convenient markets, I am confident we will save at least ten per cent a year on this class of purchases. The actual cost of the goods will not average any higher, in my opinion; we shall have the benefit of the experience and good will of the companies that supply us, and our cost of buying will be reduced to almost nothing.

We have placed our purchasing on a sound economic basis and consequently we shall continue to get the squarest kind of a deal. We have already proved that we are saving more money in our purchasing than we ever saved by going out after the lowest possible prices.

But my real purpose in taking over the job was to meet the salesmen who called, and to introduce some sound ideas. One of the first men who came to see me seemed glad to tell his story to the president of the company. His proposition was a guarantee that his company would buy our goods if we would place an order with him. He was the kind I was laying for—one of the reciprocity boys—and I did most of the talking.

Reciprocity buying originated with a

group of sales managers who attempted to take the easiest way to larger volume. The method was widely adopted, and perhaps in a few instances it did tend to increase sales, but at heavy cost.

The heads of the companies who authorized reciprocity buying evidently did so without thinking the proposition through, for few widespread merchandising mistakes have been more demoralizing and costly. The method was developed during prosperous times and was one of the innumerable factors that contributed to depression. Now, when all salesmen need the healthiest kind of constructive management, it appears that sales managers are still feeding them the dope of reciprocity.

Reciprocity originated with the larger concerns and was a direct confession that their sales forces could not hold up their end in competition with the smaller concerns.

All this I told the salesman and when he left I am sure he was completely unsold on his proposition. As with all other salesmen who

have talked reciprocity buying to me, I made him promise to tell his manager what I had told him. In this way I hope to do my bit in eliminating this uneconomic and demoralizing method of selling.

### Demoralizing business

NEVER before in my experience have salesmen been so inadequately informed as to the elements of their work that create and sustain business. Representing this large class, a man called the other day and assured me that he could save us money on our lubricating oils. He did not know where we bought our oils nor the prices we paid for them, but he was emphatic in his assertion that his company would not be undersold and that he could quote us prices that would take our business.

Finally I interrupted him to say that my company would not buy his oils at any price nor take them as a gift. He demanded to know why and I told him that I did not think it safe to do business with his company. At a time when the entire oil industry is in the depths

of price despond, his company is dragging the market lower, thus further demoralizing conditions. This affects my business because it has a tendency to demoralize general business. This is no time to try to take a competitor's business away from him by the price route.

"If your company will not cooperate with your competitors to improve conditions," I told him, "my company will not buy your goods at any price. This is no time for cut-throat selling. At all times we consider the selling of goods below cost as unfair and dishonest. That is why we will not deal with your company at any price or on any terms."

"We are well satisfied with the oils we are using and the prices we are paying for them. We do not think it possible to save money in the way you propose. Tell your manager this and get your company to adopt sane selling methods."

### Cutting in on new lines

THEN there are the salesmen representing companies that are putting out new lines—at a price. A number have called to see me. The other day one offered hose couplings at ten per cent below the price he thought we were paying. As usual in such cases, the goods were inferior in quality, although the salesman "guaranteed" them.

I turned this man down on three points. First, his company had no moral right to enter a field that was already adequately supplied and buy his way in at prices below cost. Second, to attain a low price the quality of the goods was inferior. Third, his proposition to save money for us was fallacious.

To prove that we are fair in our buying policy, I explained to this salesman that our coupling manufacturer had begun the production of ferrules and had offered to supply us with them at lower prices than we had been paying his house. For years his company has been selling us ferrules, and I informed him that he would continue to get our business on what we considered his legitimate line.

This crashing into new business with added lines has grown to be dangerous. It should be stopped, and it would be if all buying were done intelligently and most of industry's buying will be done intelligently when management realizes that unsound buying methods are responsible for predatory competition.

The most alarming reaction to the price pressure is its effect on the quality of all kinds of products. This reaction is already apparent in many industries, and I expect to see a large number of

(Continued on page 52)



Sane buying would soon get us out of depression





UNITED AIRPORT CO.

Of our 30,000 miles of airways, 17,500 are equipped for night flying

# Can the Airplane Pay Its Way?

By P. G. JOHNSON

President, United Air Lines and Boeing Airplane Company

★ WE PUT some pretty blunt questions to Mr. Johnson. We knew they were blunt but we knew also that they were the questions that people were asking today about aviation. Mr. Johnson did not try to duck. He answered them categorically

THE Editor of NATION'S BUSINESS has asked me some pertinent questions which those in the aviation industry hear frequently. These questions include:

1. "Can aviation, as a means of transportation, carry on without some form of government aid, and is there any profitable place for it in our national transportation scheme?"

2. "Will enough people pay more than railroad fare for the airplane's extra speed to make it profitable?"

3. "What are the chief obstacles to an increased acceptance of aviation?"

4. "What is the attitude of the aviation industry toward government regulation?"

With the premise that the airplane is now a necessary unit of our national scheme of transportation and communication, I will answer the first question relative to government aid.

You cannot separate the military and commercial sides of aeronautics. An airplane is neither a weapon alone nor a method of transportation alone. It is both. Each congress since the World War has recognized that our commercial air transport systems are to the Army and Navy air forces what a merchant marine is to the battle fleet of the Navy.

## Aviation needed government support

NO national system of airways, airports and aids to aerial navigation, so essential to both military security and commercial life, could have been developed without the cooperation of the Federal Government.

Tens of millions of dollars were spent by this nation when it sought to produce aircraft hastily for the World War,

when we had no sizable flying personnel, either military or commercial, nor plants manufacturing military or commercial planes on a profitable basis. If the Army and Navy are to be saved from excessive costs of designing and producing military aircraft which will keep us on a par with or in advance of air forces of other nations, it is necessary that, in addition to an adequate federal program of military plane construction, commercial aviation must be associated with national defense during the pioneering period at least. Such a policy will save government money.

This nation needs a going civilian aircraft industry, capable of producing the most modern aircraft in quantity on short notice; a high-speed air transport system for expediting commerce and providing an executive personnel available in case of war; a reserve of commercial ships and a reserve of expert personnel for direct draft or for the training of recruits; and a national system of airways, airports and aids to navigation.

Overemphasis of the so-called "subsidy" feature surrounding air mail at the sacrifice of basic facts on the status and importance of air transportation should be answered by letting the public weigh what has been appropriated against

what it has received. According to figures compiled by the Aeronautical Chamber of Commerce, the Post Office Department has spent \$67,000,000 on the air mail system in the past 14 years. This sum includes the amount paid for carrying the mail; the amount paid to the private air contractors; operation and maintenance costs; expenditures for equipment, buildings and landing fields; the cost of lighting the transcontinental route from New York to Salt Lake City, and the equipment of radio stations when the lines were under government operation.

From this sum must be subtracted the millions which the Post Office Department has received from the sale of stamps used on air mail.

### Regulation and information furnished

THE Department of Commerce has rendered conspicuous service in airway construction, development, maintenance, inspection and regulation, and in establishing and enforcing standards of air-worthiness for aircraft. Likewise, the Weather Bureau provides an efficient and necessary reporting service for those using the airways.

The network which has been developed through government cooperation is essential not only to the air mail-express-passenger plane operators but to the Army and Navy and the individual flyer, for whom the Government improves airways just as it maintains navigation aids on oceans and rivers. Furthermore, air mail operators have made a direct financial contribution to our national air commerce by supplying certain fields, lights, aids to navigation and communication, available to governmental agencies, private flyers and even competitive lines.

Furthermore, the *per pound-per mile* cost of air mail service to the public is rapidly declining as revealed by these figures for recent years:

<i>Fiscal Year</i>	<i>Cost to the Government Per Mile Flown under Contract Operation</i>
1929	\$1.09
1930	.98
1931	.80
1932	.65 (Estimated)

### Airplanes are more efficient

PER mile costs of air mail plane flights to the Government during the past four years have decreased 67 per cent, although mail loads have increased 52 per cent. Percentage of night flying has increased. Speed of the air mail planes now averages 30 miles per hour more than under government operation.

While the *per mile-per pound* cost of moving air mail grows steadily less to the Government, the growing poundage brings in more revenue. Also, passenger and express business is increasing. As additional revenue comes from these sources, the amount paid by the Post Office Department to air mail operators is reduced. The operators are working toward the day when the amount the Government pays for carrying the mail will not exceed what it receives from air mail postage.

Postmaster-General Walter Brown, in commenting on this feature, recently stated:

It is not correct to regard this expenditure simply as a loss in one phase of postal operations. It is an expenditure made for national security, which most of us believe is in a large measure dependent upon keeping abreast of the other great nations of the world in the field of aviation.

Our purpose is to develop a nation-wide network of air lines to carry passengers, express and freight, on which the transportation of the mails will be only an incidental operation as it is today on railroads and steamship lines. We are making progress.

During this development period when the Government is paying out more than it receives in air mail postage, the law of the Post Office Department, "the mails always have gone and always must go by the fastest means of transportation," is being perpetuated. This was recognized by the Government in the pioneer days of railroads.

A mail plane at an early-day airport.  
Note the cows in the background



UNITED AIRPORT CO.

Today's air line offers its passengers comfortable planes and convenient ground facilities



Without federal support during the early days of a new form of transportation, the United States would not have the great and necessary rail system which exists today.

Today, through the enterprise of the Post Office Department and the Department of Commerce, in conjunction with private initiative and capital, this nation has a splendid network of air transport. Approximately 200 cities in 44 states have direct air mail-passenger-express plane service and practically every city in the United States is benefited through plane-rail service.

During this development period, air transportation, scheduled movement of mail, goods and passengers over estab-

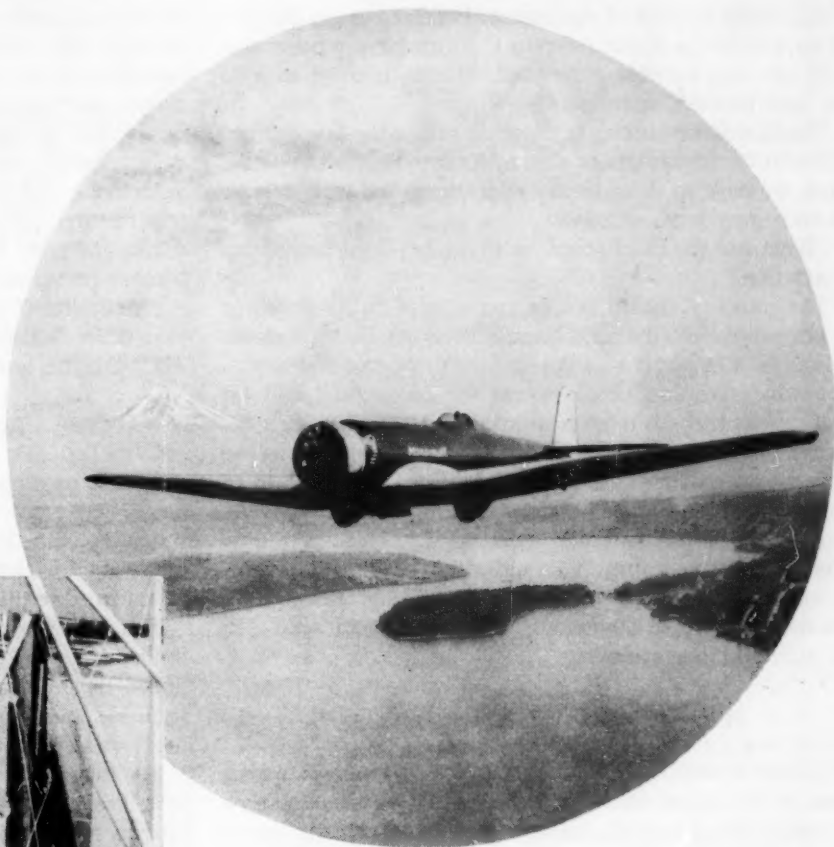


**Pilot Parmalee takes off with the first air express package, a bolt of silk, in 1910**

lished airways, has developed from a single government-operated transcontinental air mail route to a well organized nation-wide system under private operation. Transport companies financed by private capital are operating on 32,000 domestic and 19,000 foreign miles of airways, employing 625 airplanes and 725 pilots who fly more than 150,000 miles every 24 hours, about 40 per cent of which is at night. There are now about 30,000 miles of improved airways, of which 17,500 miles are equipped for night flying. These airways are not only available to the air mail and transport operators but to the military and private flyer. We have out-distanced Europe in commercial air transport in equipment and performance. It is interesting to know that United Air Lines alone last year flew eight times as many miles at night as all European lines combined.

"Are there enough people who would pay more than railroad fare for the airplane's extra speed to make it profitable?"

America has never rejected a faster form of transportation. One fundamental difference between this and certain foreign countries is that the American business man stresses the value of time. We use more automobiles, speedier steamships and extra fare trains; send more telephone, telegraph and radio messages, and use more speed machines like typewriters, teletype, adding machines, dictaphones, check sign-



**Boeing's Monomail, built especially for mail service carries 2,000 pounds of payload at 130 miles an hour**

ers and letter sealers. Our farmers speed agricultural production with time-saving machinery, just as their urban brothers seek the labor-saving devices which have contributed so much to our high speed industrial production. Our national speed complex is evidenced by willingness to pay slightly more for speed, both for personal transportation and in handling merchandise.

### A new tempo for industry

EACH time the United States has had a major speeding up of its transportation and communication a new era of increased industrial activity and national prosperity has followed. The railroads changed the United States from a group of isolated states into a union. The automobile revolutionized the social habits of the country and did much to obliterate state lines. The automobile and truck have revamped, to some degree, long established sales and distribution practices.

There is reason to believe that the airplane, in this generation, will work a somewhat similar transformation.

In 1928 only 5,700 people rode in airplanes. In 1931 more than a half million fares were paid. The average ride is 380 miles, triple that of three years ago.

The average fare rate for 1927 was 12 cents a mile. This dropped to 10.6 cents the next year. It went back to 11 cents in 1929. In 1931 it was 8.3 cents. Today the average is approximately six cents. Typical of the downward trend of airplane fares is the action of United Air Lines, which recently reduced its fares in 20 states to approximately surface transportation costs.

The air transport companies generally have reduced their fares to a price that will now bring them the most revenue



with a given amount of equipment. For instance, in the first 60 days of this year, our rail plus Pullman fares, representing a 20 per cent decrease in per mile charge, brought us a 35 per cent increase in revenue.

The fare which we charge now may not be the fare charged either in the immediate or distant future. This is the period when we have to shoulder the educational job which comes to every new form of travel.

"What are the chief obstacles to an increased acceptance of aviation?"

The industry should not be too hurried in its endeavor to put people into the air. Commercially, aviation is only six years old. The airplane is the first instrument of transportation which requires people to get off the ground, and for that reason there is more resistance to it than has been encountered by previous forms of transportation, such as the train, steamboat and the automobile. Each of those had to bide its time until the public, digesting what it saw and heard about that particular instrument of transportation, concluded it was a form it should utilize. The overdramatization given the stunt flyer and the occasional accident has given many people an inaccurate conception of scheduled air transport operations.

#### Aviation offers more convenience

FURTHERMORE, only recently have the air transport lines of the United States had the speedy, comfortable type of planes, the ground facilities, depot-hangars, closely bound network of routes, convenient, frequent schedules and lower fares to offer the public. Now, with the growing recognition in the industry that the airplane must survive by giving good service at a fair price, coupled with a growing appreciation of the merits of air travel, there are definite sales methods which can be used in soliciting air travel.

Air travel is not going to be sold by high pressure sales talks, but on its record and along the lines other forms of transportation sell their services.

The most successful companies will be those which, during this pioneer period, are willing to spend the necessary money to provide the facilities and safeguards required, along with a sane, yet aggressive, program of solicitation, developed largely along the lines of those employed by older forms.

We haven't yet whipped all the problems of flying, but we are well on our way. For instance, the air mail-passenger plane operators last year had 30,285,139 miles of scheduled flying. They completed 93.1 per cent of it. Practically all of the defaulted mileage was due to unfavorable weather.

Another example is United Air Lines' record on the longest route with daily service in the world, including a 27-hour Coast-to-Coast "night and day" tri-motored mail-passenger plane schedule. We were scheduled to fly 6,250,000 miles on the 2,766-mile route between New York and the Pacific Coast. We flew all but 7.8 per cent. More than half the mileage was flown at night, much of it with large passenger transports over mountains. On this route we carried

24,000 passengers and 140,000,000 pieces of mail and express without injury to either passengers or cargo. In 14 years of operation of the air mail, less mail has been lost than in the sinking of the Steamer *Vestris*. Only four-hundredths of one per cent of air mail has been lost or destroyed in 14 years.

Just as the business man, by purchasing the early-day automobile and by using it in his business, gave the first impetus to automobile construction, he is, a generation later, setting the pace for the new era in the air. He is doing so because he values time.

Practically all of the half-million passengers carried last year will ride again. They are telling their friends about it. They are the best salesmen we have.

#### Business men travel by air

OF OUR passengers, 60 per cent are presidents, vice presidents and sales managers of corporations, 20 per cent engineers, statisticians and executives of corporations. Miscellaneous travelers make up the balance. Large corporations have turned to the airplane.

The need for air travel by executives and business men is increasing. Sixty per cent of 784 corporations we questioned have executives and representatives using airplanes regularly, and 378 of these firms reported they found the need for air travel increasing.

The reason is obvious. Passengers can leave New York after breakfast this morning, arrive in Chicago in the late afternoon or in Salt Lake City for breakfast and in Los Angeles, San Francisco or Portland, Ore., for lunch the next day. Passengers, mail and express are flown in tri-motored transports between Chicago and Dallas overnight.

Or, a New York business man can close his desk in the early afternoon and be in Kansas City shortly after midnight. It is only a dawn to dusk flight from Seattle to San Diego, the two most distant cities on the Pacific Coast.

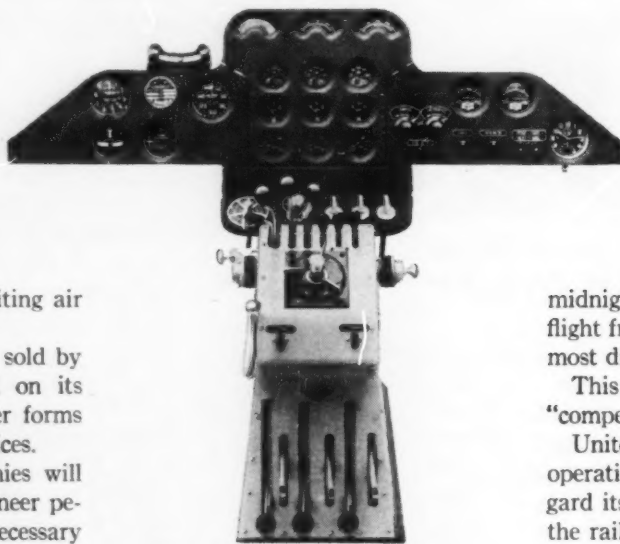
This brings us to the question about "competition with the railroads."

United Air Lines at least, and our operations cover 20 states, does not regard itself primarily as a competitor of the railroads. Many railroad executives do not regard the airplane as an intruder. Rail lines sell combination rail-plane tickets. Frequently the public can be best served by rail-plane rather than all-rail or all-plane service.

For example, by using air-rail between New York and Chicago and overnight train to Minneapolis, travelers can go from the Atlantic Seaboard to the Twin Cities without the loss of a business hour.

Furthermore, much of the business of the airplanes is not subtracted from railroad revenue. The airplane has developed an entirely new type of traveler. The advantages of leaving New York this forenoon and arriving in Yellowstone, Yosemite or Rainier National Park tomorrow evening attract the vacationist who would not spend eight days out of a fourteen-day vacation getting to and from these western parks. Cleveland business men board our planes in the

(Continued on page 51)



This battery of instruments protects the passenger's safety on the modern air liner

# Tax Tangles of 1932

## And Their Effect on Business

★ **WILL** stock sales tend to move to the Canadian Exchange? Will the higher postal rates mean more telegrams? Will pay rolls be met with cash instead of checks? Those are some of the questions that business men are asking themselves as they watch the operations of the new tax laws which recently went into effect. These laws directly or indirectly affect every business

**A** NEW influence is at work in the nation today, affecting directly or indirectly every business and every individual.

This new influence is the federal tax program which rode in with the summer season. The direct effects of the new taxes are already painfully evident to many of us. Their indirect effects, for the most part, remain to be measured. They will result in varying handicaps for many industries and people. To other industries and people they will bring measures of advantage. Ingenious ways of minimizing some of the taxes have already cropped up. All in all, the by-products of the tax program can be counted by the hundreds and are as interesting as they are diverse. Every business man who reads the highlights reflected here doubtless will be able to add a dozen more from his own experience.

### Almost universal tax

LET us first examine the three per cent tax imposed on sales of electrical energy, since that tax probably affects as large a section of industry and population as any.

Directly, this tax means that you and I, as average domestic consumers, will pay about \$1.02 a year tax. If we operate a store or similar establishment and buy current at the commercial retail rates, it means that we add, on the average, about \$4.71 a year to our costs. If we own an enterprise which uses purchased power at commercial wholesale rates we add, on the average, \$29.81 a year. Finally, if we are manufacturers using the average amount of purchased power at the average rates, we must add \$178.14 to our yearly costs of doing business.

These are the direct results on us and, on their face, represent no very considerable burden. But what of the indirect results? Few of these have had time to work themselves out, but some of them were forecast in the hearings

on the tax measure before the House Committee on Ways and Means.

The electric industry saw in the tax a disturbance to existing competitive forces. It pointed out that every part of its service to its more than 20,000,000 domestic customers, save lighting, is competitive. The electric washing machine and ironer compete with the laundry, the electric range with gas, coal, oil, and wood, the vacuum cleaner with the broom, the refrigerator with the ice man, electricity used on the farm with the portable gasoline engine. The competitive position of electricity thus is impaired to the extent of this tax. Conversely, that of the competing agencies is aided.

In the industrial field, electric companies seeking to sell power to manufacturing and other establishments must compete with gas, coal, oil and electricity generated by manufacturing plants themselves. The margin in favor of electric power purchased as against steam or hydro-electric power generated is so close in many instances that the differential which has been injected might influence a decision as to power source or cause a change of location of an industry. Here, too, the tax is as helpful to the competing agency as it is harmful to the electric industry.

Moreover, industrial enterprises which now generate their own electrical power gain a three per cent differential over enterprises which purchase their power. Thus in the food industry, including flour mills and other manufacturing plants, 71 per cent of all the mechanical operations are by electricity. Out of this 71 per cent, 57 per cent is

by purchased power. This 57 per cent of the industry is thus handicapped and the other portion aided by the tax.

The same applies through the whole field of industry using electric power. Relatively, the larger industrial companies fare better than the smaller ones because, in many industries, the larger the company the more likely it is to have its own power plant and thus escape the tax.

In the field of electric railways, the American Electric Railway Association presented figures showing that in 1930, some 234 out of 300 suburban and interurban electric railway companies purchased the power to operate their cars, paying for it \$49,374,000. Out of this list in 1931 only five companies were able to pay dividends on common stock and only ten on preferred stock. The remaining 219 paid no dividends. With an additional operating cost for power, according to statements before the House Committee, many of the fairly large street railway properties may be forced into receivership.

This particular tax is also a two-edged sword so far as tax revenues is concerned, as was pointed out by the American Mining Congress. By cutting down the possible operating return of industries now taxable under the corporation tax, companies operating at a narrow margin of profit may either lose that profit or be forced to discontinue, with consequent losses to the Government of taxes on earned income both corporation and personal, to say nothing of the employees thrown out of work.

The two-cent tax on bank checks also affects a large portion of our population



and business. A decreased use of checks is of course to be expected. Some estimates put this at 25 to 30 per cent, a prospect which has caused paper manufacturers and employees to envision the loss of several million dollars' worth of business, losses which promise to extend down through the printing and lithographing, ink, cloth, wire and glue industries.

### Cash again for pay rolls

DISCOURAGEMENT of the growing practice of using checks for pay roll purposes is another anticipated result of this tax. Gerard Swope, president of the General Electric Company, pointed out that his company issues about 2,700,000 pay roll checks a year.

Such a tax, he added, "would make the expense of handling our pay roll in this way so great that we might be compelled to go back to the old way of paying the wages of our employees in cash, with its consequent risk to life and property."

Poultry and dairy interests also opposed the check tax, declaring that the dealer and manufacturer would be unable to absorb it and that it would react on the farmer in the form of lower prices for his products.

The Fairmount Creamery, of Omaha, Neb., was cited to show the extent of the use of such checks. This company, Representative Baldrige of Nebraska said, issued 6,500,000 checks in 1931.

Millions of cream checks, the average amount of which is put at \$2.15, and also poultry checks, averaging \$5, are issued annually by such companies. In many sections these checks serve as currency.

With the stricture this tax places on these and other checks, larger amounts of cash may be called into circulation, and banks face extra burdens both in providing cash and in the encouragement the tax lends to keeping the family cash in the family sock.

### One way to avoid

A POSSIBLE avenue by which the poultry and dairy industry, industrial concerns and others issuing large numbers of checks may escape the check tax was outlined by Senator Reed when this tax was being considered. This can be done, he said, by changing the wording on the checks, making them orders on the companies themselves instead of on the banks.

Such orders have been used for years by some dairy and poultry companies, it was brought out. Senator Reed placed

one such form in the Record, which read as follows:

Main Office  
Washington Court House, Ohio  
The Brownell Company

Poultry and eggs. Highest price paid for quality.

No. 6951  
193

Pay to the order of \_\_\_\_\_ \$ \_\_\_\_\_  
dollars

The Brownell Company  
Payable at the Washington Savings Bank,  
Washington Court House, Ohio

"At the end of the day," Senator Reed said, in explaining the handling of such forms, "all of these orders which have been honored at the bank are lifted by a check drawn on the bank itself, and the purchaser pays the two cents on that check."

Being drawn on the company instead of the bank, Senator Reed added, such checks "are not taxable and the Treasury would so hold."

Whether the courts actually will construe such orders as nontaxable was questioned by several senators. It is felt in some business circles that a test case may be necessary to clarify the point.

A number of banks are also aiding their patrons to escape the tax by replacing the usual counter check with withdrawal receipts. Thus the person having a checking account merely asks the paying teller for the amount he wants, and signs a receipt for it. Some of these receipts even have a detachable memorandum stub for the customer's convenience in transferring the entry to his regular check book.

### Some business was stimulated

SEVERAL of the new taxes definitely stimulated various lines of business, at least for a time. Thus the tax on tires of 2.25 cents a pound and on tubes of four cents a pound, meaning an 11 to 15 per cent increase in prices, put every rubber factory in the Akron district on a seven-day schedule in early June, for the first time in two years. The plants were flooded with orders from dealers for deliveries before midnight of June 20, the deadline. One tire company reported the month as the biggest in its history, both in units shipped and in dollar volume. Railroad and trucking companies did a capacity business out of Akron during the period. The automobile, motor accessory and other manufacturing industries whose products were similarly taxed felt the stimulus in varying degrees.

Motorists, of course, are feeling the cent-a-gallon tax on gasoline and, for the most part, the cent-a-quart tax on

lubricating oil. Most companies supplying these necessities increased their prices to cover the taxes on June 21, though some are said to be absorbing the oil tax. The Standard Oil Company of Indiana and possibly others made the increase on gasoline 1.1 cents a gallon, explaining that the tenth of a cent was to cover in part the tax on pipeline transportation of oil and the expense of collecting the taxes, including credit losses of taxes paid in advance of collection. Here, too, stimulus was felt during early June, refineries throughout the country working overtime to keep pace with last-minute orders before the tax became effective.

### A rush for the ports

OIL tankers and other ships carrying lumber, coal and copper affected by the tariff provisions of the tax bill raced against time to get to port before June 21. Twenty-seven million gallons of petroleum, nearly 11,000,000 gallons of oil, 3,225,000 pounds of copper and 321,000 board feet of lumber passed through customs on June 20 in New York alone. Their aggregate value was put at \$1,212,000 and was believed a record for a single day's importations of such products at that port.

There were losers in the race, too. The New York Times tells of how, down on the Amazon, a million feet of mahogany was waiting to be embarked when news was received of the \$3-per-thousand-feet duty on lumber included in the new tax bill. The logs were left where they lay, presumably to rot.

Another section of the new bill which affects nearly every one is that ordering increases in first and second class postage rates. These increases have caused intensive figuring by publishers, utilities and others having large mailings. Public utility and other companies which in the past distributed monthly bills by mail have been busily seeking more economical methods of distribution. The three-cent postage now required, combined with the check tax, in many cases runs the charges on each bill paid by check up to 11 cents—three cents to mail the bill, three cents to return it with the check, two cents on the check itself, and three cents to mail a receipt.

Some utility companies have considered hiring private carriers at modest wages from among the unemployed to distribute their bills. The Post Office Department has no objections if a company uses its own employees for such deliveries, but has pointed out that postal laws forbid anyone competing with the postal service in carrying letters. Two or



more companies will not be allowed to use the same employee nor to hire a messenger or other delivery service to deliver their bills, the Department has ruled, and has directed all postmasters to report any such cases coming to their attention.

Employee-delivered bills and other expedients may naturally be expected to decrease in first-class mailings. Telegrams, for example, may be employed by some companies for promotion activities hitherto conducted by first-class mail, since the new three-cent rate improves the competitive position of the telegraph message in this field. An official of one of the large telegraph companies, commenting on this possibility, put the cost of preparation of a piece of mail-promotion material at from two and one-half to ten cents, exclusive of postage. With the new three-cent rate, he said, the total cost would be from 5.5 to 13 cents, figures at which his company, offering a quantity message delivery service at as low as seven cents a message, might reasonably expect to attract business.

### Cheaper than postage

THE increase in second-class postage rates has also revived several expedients devised at the time of the last such increase by periodical publishers and others. One of the most popular plans was the shipment of publications by freight to a number of distributing centers throughout the country and then mailing them to subscribers from those post offices. Thus most of the actual mailings were kept within the first few zones and the additional mailing costs kept at a minimum. The administration of the manufacturers' excise taxes included in the bill brought out some early controversies. An example was the discussion between furriers and apparel manufacturers.

The furriers planned to sell their merchandise on a net basis with the tax listed separately. The apparel men insisted that the levy be included in the price of the goods.

Channing E. Sweitzer, managing director of the National Retail Goods Association, was quoted in the New York Times as stating that retailers were willing to cooperate with those manufacturers who could not absorb the tax but did not wish to do so at the sacrifice of well-established trade practices or efficient and eco-

nomical operation of retail stores.

Another tax, effects of which merit mention, is that on stock transfers. The old two cent tax here has been changed to four cents per \$100 par value on transfers of stocks having par values, four cents a share on transfers of no-par stocks, and to five cents in either case if the stock in question sells at \$20 or more. The new law also makes the four cent tax effective on stock borrowings (the five cent tax doesn't enter since no selling price is involved), a provision which weighs heavily on the bear interests.

To show how this last works out, take the case of a bear operator who orders his broker to sell 100 shares of stock short for him, that is shares which the bear does not possess. The broker sells, and to give delivery on the stock, borrows 100 shares from a fellow broker. He must ultimately pay the tax on the sale and of course charges this back to his bear patron. Now his fellow broker can call for delivery of the stock he loaned at any time, in which case the first broker must borrow another 100 shares some place and pay another tax, a process which is repeated as often as the broker finds it necessary to borrow.

This provision making the tax effective

which to make delivery and the Dallas seller must pay the resultant tax.

Fixed investment trusts also suffer under the tax, because investors in such shares have to pay the tax up to three or four times. This comes about through the number of stock transfers necessary for the issuance of fixed investment trust certificates.

A further result of the increased transfer tax is that several companies have assigned par values to their stocks which previously were no-par issues. To show how this works, take the case of Curtiss-Wright shares, which recently were converted from no-par to \$1 par value. As already stated, the new law taxes the sale of *each* share of no-par stock either four or five cents, depending on its selling price, which means a tax of either four or five dollars on a 100-share sale of such stock. The law also provides, as likewise has been stated, a tax of but four or five cents per \$100 par value on sales of par-value stocks. Thus in the case of Curtiss-Wright \$1 par stock, sale of 100 shares would bring the total par value of the stock sold to \$100 and would involve a tax of only four cents (since this stock's present price is below the \$20 limit), as against a tax of \$4 on the old no-par basis.

A natural development from this provision of the tax would also be a reduction in the par value which companies have in the past placed on their par stock. Thus a company whose stock now has a par value of \$100 a share might cut the par value to \$20 a share. On a 100-share sale, if the stock sold at \$20 or more, this would mean a one dollar tax instead of a five dollar tax.

These taxes combined with a recently doubled state transfer tax in New York are discouraging trading there, brokers say, since in many issues in which fluctuations are narrow the

taxes and brokers' commissions make operations unprofitable. Whether these taxes will drive this business over the line to Canadian exchanges, as has been feared, is yet to be seen.

An incidental effect of the stock transfer tax and the new tax on bond sales, as well as of many of the other taxes, is a vastly increased clerical burden. This burden will prove a heavy one to many companies already struggling to meet pay rolls, but, to look for the silver lining again, it will mean bread and butter to the unemployed white-collar workers who will be called back to jobs.

—P. H. H.

**NEW ways of doing business, new locations for industries, new competitive advantages or disadvantages among industries or branches of the same industry. These are a few of the indirect results which were forecast when the new tax program was being discussed. Some of them are already appearing. Others are contemplated as business studies the new levies**

tive on mere borrowing also affects persons outside New York City who may want to sell stock holdings through the markets there. Thus a Dallas stockholder may order a Dallas broker to sell his 100 shares of United States Steel. Ordinarily he wouldn't take it from his safe deposit box (on which he also now pays a ten per cent tax) until the next day, when his broker tells him the sale has been made on the New York Exchange. Under Exchange rules, delivery must be made by the broker's New York office by 2:15 p.m. of that day, a physical impossibility. Hence the New York office borrows stock there with

# No Business Can Escape Change

★**MANY** enterprises which in the past felt secure in the fact that they were part of so called basic industries are finding today that they are by no means exempt from the swift workings of change, that new forces and conditions act in their fields as positively as in any other

A NEW office lighting unit is built into a top compartment for a standard sectional bookcase. It floodlights the ceiling, is said to provide a high quality of illumination. . . .

A LIGHT-weight business stationery has been developed for foreign air-mail. Rates on such mail are based on the half ounce or fraction thereof, so weight's important. . . .

A NEW, simple photo-stencil process now under development is said to be capable of reproducing photographs, magazine pages, other printed matter. The stencil can be made in a few minutes, and is said to reproduce thousands of copies. . . .

A NONINFLAMMABLE awning material, made of asbestos fabric, has been developed; also an electrical device, controlled by a three-position switch, for operating awnings. . . .

A NEW corrugated fiber board liner in which metal wires are buried is said to increase efficiency of carbon dioxide cooled shipping containers. The wires conduct incoming heat into the carbon dioxide. . . .

COLLAPSIBLE steel containers have been developed for shipping foods, hardware, chemicals, etc. Returnable, strong, they are easily assembled, have interchangeable parts. . . .

A NEW stencil brush carries its ink in its handle. A push button at the user's finger tip controls the ink flow. . . .

ANOTHER NEW device, for marking shipments free-hand, has a handle reservoir and felt tip. The tip is automatically inked by simply pressing down and releasing while marking. . . .

A MIDWEST railroad is offering rail deliveries of entire loaded motor trucks and trailers. A new locking device on the wheels holds trucks in place on the flat cars. . . .

RAILWAY freight soon will be deliverable from New York to Cuban rail points in the original freight cars. Two ships, each carrying mile-long trains of loaded freight cars, are scheduled to begin New York-Havana service in October. . . .

A NEW deodorant, for use of crude petroleum producers and refiners, is said to be so powerful that two pounds deodorizes a tankcar (8,000 gallons) of cleaners' naphtha. . . .

CELLOPHANE shoes are being made. Body fabric is woven from thread made by twisting strips of Cellophane around a cotton core. The shoe is said to be light, durable. . . .

TWO new designs of precast concrete underground conduit, one for low, the other for high tension cables, have been developed; also machinery for their automatic manufacture. . . .

A NEW electrical marker writes on any material which will conduct electricity, is said to etch even the hardest steel easily. . . .

SAVINGS in welding are effected by a new electrode holder stand which shuts down the welder one minute after holder is placed on the stand, starts it when holder is removed. . . .

A RECENTLY developed electric ammonia dissociator offers a new, cheap source of hydrogen and nitrogen. It yields a dry gas 75 per cent hydrogen, 25 per cent nitrogen. . . .

A NEW gas broiler broils meats quickly on all sides at once. A pull of a handle clamps the meat in folding grids, lowers it into the broiler, turns on the gas. . . .

AN American-made "over-and-under" two-barrel shotgun is now on the market. One barrel is placed atop the other, and either can expand or contract without distorting the other. . . .

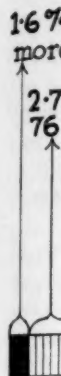
A NEW dry glue, for laminating woods, metals, etc., is made in thin, transparent sheets, glues in ten minutes through heat and pressure. The bond is described as strong, flexible, waterproof, fire-resistant, noncorrosive, fungus-proof. . . .

A HOT water bottle which stays hot has been developed. An electric heating unit, thermostatically controlled, is in the stopper. It is said to be safe, economical to use. . . .

A NEW weatherproof window has a sash easily removable for washing or painting. It has no ropes, weights or boxes, resembles double-hung windows in appearance, cost. . . .

—PAUL H. HAYWARD

EDITOR'S NOTE—Material for this page is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business information into our offices in Washington. Further information on items mentioned here, which are of interest in connection with your own business, can be had by writing us.



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1.6% mortgaged for more than 100% of value

2.7% mortgaged for 76% to 100% of value

8.5% mortgaged for 51% to 75% of value

23.2% mortgaged for 50% or less of value

64% Debt Free



In 1928, 64 per cent of our farms were debt free. Fewer, but still more than half, remain so today

# The Farm Situation Today



**ALTHOUGH** no one can deny that agricultural conditions as a whole present a gloomy picture, there are a few cheering elements. For instance, more than half the nation's farms today are free of mortgage debt. This is one of the facts brought out in this study of farm conditions and plans for improvement

**F**ARM relief, never wholly absent from the headlines since 1920, is beginning to command attention again, with new insistence. In political circles and the councils of business the situation of the American farmer is under discussion. Fast changing economic conditions in the past two years or so have had their effects in the agricultural as well as in the business community. The farm situation, at no time in the past decade to be described as good, has gone from bad to worse.

Sharply fallen prices for farm products and a precipitous descent of farm real estate values have adversely affected practically the whole of agriculture, bearing most severely upon those farmers already burdened by mortgage indebtedness.

New plans and variations of older ones have been proposed to alleviate various phases of the situation. As one of the more extreme plans, that outlined by Senator Frazier of North Dakota, in a Senate bill might be cited. Briefly, this would enable farmers to pay off indebtedness and mortgages on their farms with money obtained from the Federal Farm Loan Board. In the amended form in which the bill was

favorably reported, the money would be obtainable in an amount equal to 80 per cent of the fair value of the farms. As security, the Farm Loan Board would take first mortgages on such farms. One and one-half per cent interest would be charged on the loans, plus 1.5 per cent a year toward retirement of their principals.

## Inflation through farm loans

THE Federal Farm Loan Board would raise the money for these loans by selling farm loan bonds, secured by the mortgages and bearing 1.5 per cent interest, on the open market. Federal reserve banks would be required to invest their available surplus and net profits, after payment of dividends, in these bonds. Further, if all the farm loan bonds were not readily sold, the Farm

Loan Board would exchange the remainder with the Federal Reserve Board, at par, for federal reserve notes, the bonds serving as security for the notes.

The inflationary effects of this last provision can be gauged from the fact that nearly five and one-half billion dollars is now in circulation in this country and that farm mortgages amount to about nine billion

dollars. In reporting the Frazier bill the Senate Committee on Agriculture and Forestry put the maximum inflation under the bill at about \$3,500,000,000 of new money—which a little figuring will reveal as indeed a modest estimate.

Other farm relief plans which are commanding renewed discussion include those hardy perennials, the equalization fee and the debenture plan. More conservative plans are also drawing sober attention in both business and agricultural circles.

One of the more recent of these has been termed the Domestic Allotment Plan. It would make the tariff effective upon those parts of certain standard crops which are consumed in the home market, thus increasing the farmer's price *per* unit of the product by the full amount of the tariff. Take

wheat. The Government would first determine the average amount raised on farms over a five-year period, excluding farms which produced less than 250 bushels and those with yields of less than eight bushels an acre. Next the Government would determine the amount of wheat required for the domestic market, and would prorate this amount among farms raising wheat, giving each its domestic allotment of the grain. Finally, the Government would levy an excise tax equal to the tariff (now 42 cents) on each bushel converted into flour or other products for the home market. The sum thus raised would then be distributed to the wheat farms in proportion to their domestic allotment.

### Would tend to stabilize

THIS plan would increase bread prices somewhat, perhaps, but would stabilize the total price received for wheat at something near the fair average cost of production.

As Henry I. Harriman, president of the Chamber of Commerce of the United States, recently pointed out, this proposal is really a huge cooperative plan for the raising and selling of wheat for domestic use; a plan under which the Government merely determines the allotment and collects and distributes the excise. The plan would call for no government appropriation, would provide no government bonus or export bounty, would not limit the acreage which a farmer might plant, if he desired to plant it for export, and would lead to no retaliatory duties by foreign

governments. The United States Chamber of Commerce itself, at its annual meeting in San Francisco, advocated as an aid to agriculture the repeal of the Agricultural Marketing Act's provisions under which the Farm Board has bought and sold commodities in efforts to stabilize prices. Withholding of the Board's cotton stocks in order that the new crop may have a fair market was also advocated, together with dispersion of the Board's wheat through existing channels of trade. This last, the delegates voted, should be done in such a way as to remove the present market menace of concentrated holdings, before the new crop comes on.

The Chamber also urged that present federal credit agencies, for purposes of the existing emergency, be strengthened in their operations. Federal intermediate credit banks should call up additional capital available to them, and should increase their effectiveness through improved working relations with country banks and by increasing the number of substantial, capably operated agricultural credit corporations. All parts of the federal farm loan system, the Chamber further urged, should be enabled to deal with their related institutions on a basis permitting the latter to make loans at rates in harmony with credit conditions in their own areas.

A few figures will aid in visualizing the farm-mortgage phase of the emergency referred to in the Chamber resolution. As already pointed out, these mortgages amount at present to approximately nine billion dollars. The Department of Agriculture's most recent

estimate, as of January 1, 1930, was \$9,241,000,000, which represented a decline from the peak of \$9,468,526,000 reached in 1928. This latter figure represented 21 per cent of the value of all farms and 36 per cent of the number. The decline in amount has continued, statistics indicate, though the number of farms mortgaged has increased.

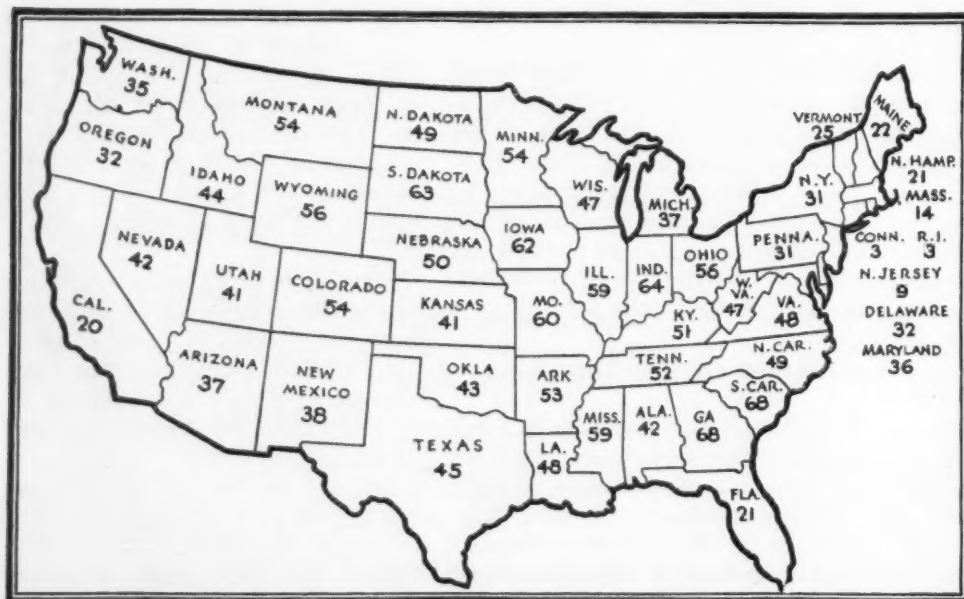
A number of sources have supplied the farmers with these billions.

### Individuals are chief lenders

CHIEFLY, the lenders have been individuals, including retired farmers, active farmers and others. These people—again using Department of Agriculture figures—in 1928 had \$2,798,000,000 thus loaned, or 29.6 per cent of the total. Insurance companies had advanced \$2,164,000,000 or 22.9 per cent of the total. The 12 federal land banks were next, with investments of \$1,146,000,000 or 12.1 per cent. Commercial banks had made loans totalling \$1,020,000,000 or 10.8 per cent of the total; mortgage companies \$988,000,000 or 10.4 per cent; other agencies, \$685,000,000 or 7.2 per cent; and the 50-odd joint-stock land banks \$667,000,000 or seven per cent of the total. The Department believes that the relative position of these lenders, as expressed in these percentages, is about the same now as then.

The market value of the farms on which these loans have been made has tumbled fast in the past two years. On a national average, farm values are lower now than for more than 20 years past. The index numbers of estimated value *per acre* of all farm lands with improvements (1912-1914 equalling 100 per cent) reached a peak of 170 in the year ending March 1, 1920. By 1924 the index number had dropped back to 130 and by 1927 to 119; 1928 saw it at 117; 1929, at 116; and 1930, at 115. In 1931 the figure fell to 106, and as of March 1, 1932, according to a preliminary estimate just released, it had dropped to 89.

Sectionally, values have held up best in the New England and the Pacific states, neither of which participated so greatly in the 1920 inflation. In New England values have declined to 116 from the 1920 peak of 140, while in the Pacific States—Oregon,



Value of farm lands with improvements has fallen 47 per cent since the 1920 peak, estimates as of March 1 show. The chart shows the percentages by states



Washington and California—they have declined to 118 from the peak of 156. Farm values have been more than cut in half since 1920 in 16 states—Ohio, Indiana, Illinois, Minnesota, Iowa, Missouri, South Dakota, South Carolina, Georgia, Kentucky, Tennessee, Mississippi, Arkansas, Montana, Wyoming and Colorado. Other states in the same groups have declined in degrees which in many cases approach that figure.

These figures, it might be said here, embrace all farm lands, including marginal or inferior quality lands on which many now are trying to eke out existences and which it was a mistake ever to attempt to put under plough.

While the figures are for all farm lands, it may be assumed that the market value of mortgaged farms roughly followed a similar course. This decline in value, the Department of Agriculture points out, has probably been relatively greater than the reduction in mortgage debt, with the result that the ratio of total debt to total value of farm real estate now is probably at the highest point in our farm history.

### Mortgages on high value

FURTHER reflection, both on the decline in farm values and the worth of farm mortgages now outstanding is found in the fact that 37.7 per cent of the number of mortgaged farms were mortgaged for more than half their value as of January 1, 1931. Of this figure, 22 per cent were mortgaged for between 50 and 75 per cent of value, 10.5 per cent for between 75 and 100 per cent of value, while 5.2 per cent of the mortgaged farms were mortgaged for more than they were worth.

Considered sectionally, this latter situation was at its worst in the West North Central States (Minnesota, the Dakotas, Iowa, Missouri, Nebraska and Kansas), where 45.3 per cent of the farms mortgaged were encumbered for more than one-half of value, 14.2 were mortgaged for between 75 and 100 per cent of value and 7.6 per cent were encumbered for more than value. The New England States again enjoyed the most favorable situation, with more than 80 per cent of the mortgaged farms encumbered for less than half of their value.

Roughly then, again on a national basis, one mortgaged farm out of a little more than six is encumbered to the extent of 75 per cent or more of its value, a condition which cannot be described as healthy either from the point of view of the borrower or the

lender. The Democratic Party took notice of this situation by incorporating in its platform a plank urging "better financing of farm mortgages through reorganized farm bank agencies at low rates of interest on an amortization plan, giving preference to credits for the redemption of farms and homes sold under foreclosure."

The Republicans, although not specifically mentioning farms, state, "We believe that everything possible should be done by government . . . to aid home owners by encouraging better methods of home financing and to relieve the present inequitable tax burden on the home. . . . We pledge that the measures creating a home loan discount system will be pressed in Congress until adopted."

### Farm income dropped sharply

TURNING to the earning power of farms, we will have to consider this also from the standpoint of national totals and averages. Here, as in the industrial field, we find a sad record. Prices of agricultural commodities, upon which the farmer's earning power is predicated, are now generally lower than at any time since the War, and indeed, during 1931, wheat, cotton, and some other products tumbled to the lowest levels in decades. The gross income of farmers which stood at \$9,347,000,000 in 1930, fell to \$6,900,000,000 in 1931, a drop of 26 per cent in a single year. The decline from the 1929 gross income of \$11,911,000,000 was still more startling, 42 per cent.

This decline in earning is made still more serious by the fact that the farmer's operating expenses by no means declined in proportion. Farm taxes, which stood at \$777,000,000 in 1929, showed no decline in 1930 and have fallen relatively little since. Operating costs which stood at \$3,152,000,000 in 1929, sank only to \$2,890,000,000 in 1930. Wages to hired labor, at \$1,231,000,000 in 1929, had fallen only to \$1,011,000,000 by the next year, though figures for 1931 may show a more pronounced drop.

Thus the balance left the farmer after payment of these items of overhead—the sum available for return on his capital (and also on outside capital invested in farm mortgages), payment for his own and his family's labor, and compensation for his management sank from \$6,751,000,000 in 1929 to \$4,669,000,000 in 1930, the latest year for which figures are available. Allowing the farmer and his family current farm wage rates for their own labor left a

return in 1930 of only \$573,000,000 available for capital and management devoted to farming. This represented only about one per cent on the total capital used in farm production, as compared with returns of from 4.2 to 4.9 per cent during the previous six years. Or to put it another way, while the farmer's gross income for 1930 declined 22 per cent from 1929 his net income fell 31.

The drought doubtless accounted in part for the precipitous decline in farm income in 1930, but the fall of prices is given the chief blame by the Department of Agriculture. Gross income from cotton and cottonseed, for example, fell 46 per cent from the 1929 level in 1930, tobacco nearly 25 per cent, grains 41 per cent and vegetables, fruits and nuts about 20 per cent.

An idea of the continued decline in farmers' incomes since 1930 may be gained by comparing the index prices of farm products for March, 1931, and March, 1932. Taking prices paid farmers in 1909-1914 as equalling 100, cotton stood at 77 in March, 1931, and at 50 in March, 1932; corn at 90 and 50; wheat at 66 and 50; hogs at 96 and 54, and beef cattle at 116 and 82. In April of this year the index number of prices for all farm products stood at 59 as against 91 in April, 1931.

It may be argued that prices of other than farm products have also dropped, but this fact has meant little to the farmer. The decline in prices he has received for his products has far outstripped the decline in prices of products which he has to buy. The index number of the latter in April of this year, for instance, was 114 as compared with the index number of 59, already cited, of prices he received. Here, too, he is in worse plight than a year earlier, for in April, 1931, the index number of prices he paid was 132 as against the index number of 91 for prices he received.

### Bank failures hurt farmers

ADDED to these developments, as a further complication in the farmer's situation, was the epidemic of bank failures during 1930 and 1931. The Federal Farm Loan Bureau points out that the failures and suspensions in many instances tied up funds which farmers had accumulated to meet their mortgage obligations, citing the Federal Reserve Board's data showing that 80 per cent of the 1931 bank closings occurred in towns of less than 10,000 population. Such closings represented for the most part country banks, the

(Continued on page 61)

# Yours Received and Contents Noted

## Some Readers' Views on Current Topics

### A governor's opinion

TO THE EDITOR:

You do not know how much pleasure it gives me to commend the altogether fine work which I think NATION'S BUSINESS is doing. I have been receiving and reading this publication for quite a while and never fail to derive material from it for the speeches which I make from time to time on the subject of decentralizing the Federal Government. I do not recall seeing anything in NATION'S BUSINESS which did not strike me as *sane and sound*, and if the Federal Government is ever limited to its allotted sphere again much of the credit will undoubtedly be yours.

ALBERT C. RITCHIE  
Governor of Maryland

### A critic convinced

TO THE EDITOR:

I take back what I said to you about that Governor Ritchie letter. A thorough reading of the June NATION'S BUSINESS last night would lead me to feel that whatever he said wasn't half enough.

As a matter of fact, I am following through on a number of things that were discussed in the departments of the magazine and in the special articles because I believe that they would lead to some definite help in connection with activities that I have had in mind for some time.

This issue was full of meat from cover to cover and I am going to do what I can to get across to certain people the great job that you are doing on the tax situation.

A. C. G. HAMMESFAHR  
Eastern Sales Manager  
Oxford Paper Company

### Michigan cuts taxes

TO THE EDITOR:

Michigan's legislature has adjourned after a special session in which tax revision has been the outstanding feature. Among other accomplishments, the state tax for the present year has been reduced almost 20 per cent. To accomplish this, state employees earning more than \$1,200 are to receive graduated horizontal salary reductions of from 10 to 25 per cent. Elective and appointive officials are voluntarily accepting equivalent reductions. Institutions of higher education including the University of Michigan and Michigan State College have also cooperated in reducing their budget requests.

These, together with other lesser measures, set a program of economy which, if followed by the local governments, will reduce property taxes in Michigan from \$40,000,000 to \$50,000,000 this year.

County and township road levies have been virtually abolished except where needed to pay off existing debts. This was

brought about by amending existing laws so that the entire auto license tax and a part of the gas tax is returned for local road use.

WILBUR M. BRUCKER  
Governor of Michigan

(This letter from Governor Brucker supplements his statement of Michigan's finances which appeared in NATION'S BUSINESS for June.)

### The workers' views

TO THE EDITOR:

Kenneth Coolbaugh's attempt in your April number to tell us about the workers' reactions, is, in my humble judgment, a long way from the true facts. In the first place, neither Mr. Coolbaugh nor any other man directly or indirectly connected with the employers' side of the question is able to analyze the thoughts and reactions of the workers.

The greater percentage of working men are followers. Employers hold the "whip hand" and control the jobs, and the workers—especially those who are articulate—are more or less acquiescent to the employers' programs. But the seeds of suspicion and distrust that have been planted in the minds of the workers through years of studious effort by leaders of radical thought are flowering in a great many places at present. Regardless of what Mr. Coolbaugh believes, the facts are that America is facing the greatest crisis since we have been a nation. We are faced with "hare-brained" radical schemes, unreliable leadership, and many other things that tend to disturb and unsettle conditions.

"What the jobless are thinking . . ." Well, most of them are not thinking. They are following, and they are following a leadership that is very unsafe to say the least.

What the leadership of the jobless want in this nation is not work, but a dole, and if this condition continues another year they will have it!

J. C. OSBORNE, Manager  
Associated Industries of Tacoma,  
Washington

### A similar view

TO THE EDITOR:

Just what does Mr. Coolbaugh know about unemployment, viewed from the inside looking out? It is one thing to sit back of a desk, passing on an endless parade of men hunting work. It is quite different to be on the other side, begging for a job that does not exist. If Mr. Coolbaugh were to be suddenly thrown out of work and into the army of the unemployed, would he change his viewpoint? Good clothes, regular meals, and freedom from continual worry make a world of difference in one's frame

of mind. I am speaking from the inside, for I have been out of work, except for a few temporary jobs, for two years, and I know just what the representative unemployed man is suffering.

Apparently the only cause for concern is the fear that the unemployed may stage a revolution; their sufferings do not matter, so long as they do not annoy the more fortunate. The assertion that they are more likely to revolt in good times, maddened by the good fortune of others is insulting to all good Americans. The real American citizen is not jealous—we are not considering imported trouble makers. If the American workman has a chance to work and earn the things he wants, he does not grudge the rich man the things he can afford.

Probably Mr. Coolbaugh means well, but he certainly does not have the least understanding of what unemployment means to the man who is out of work. I am but one of thousands of men who are educated, trained for a particular kind of technical work, but willing to do anything to keep alive. I have not thought of starting a revolt of any kind, I do not care if my wealthier neighbors spend their money in any way they wish. All I ask is a chance to work. In that I am confident I am joined by millions of men all over the United States.

B. A. KELLEY  
Atwater, Ohio

### A word for the dole

TO THE EDITOR:

All the dire prophecies by Britons of the doom of Great Britain as a trading nation are unadulterated nonsense and when the difficult times that we, in common with other countries, have passed through are directly attributed to the Unemployment Insurance Fund known as the "dole" it is definitely an untrue statement and most misleading.

As managing director of two companies that showed an increase in net profits last year of 40 per cent over the previous year, I feel justified in stating that I am not a political propagandist, but a business man, with, I trust, reasonably sane views on political economy.

The so-called "dole" is an insurance fund contributed to weekly by all those in employment and receiving more than a given sum per week. In addition to the workers' contribution, the employer contributes and the state contributes. Therefore you have the three sections of the community contributing to a fund for preventing men from starving.

It is true that abnormal unemployment and the laxity of Socialistic Administration have helped to make the fund insolvent, but in due course it will be self-supporting.

The "dole" has not ruined Great Britain. It has helped thousands of the best of our



•

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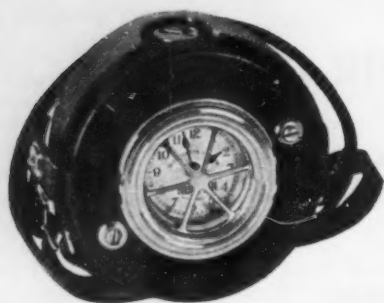
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race to keep their self-respect and their belief in God. It is hard for all of us to bear the crushing taxation that we have to endure, but I would far rather pay in this equitable manner than see a few charitable people trying unsuccessfully to save their fellow countrymen from starvation, while the selfish and parsimonious dodge their responsibilities.

E. J. SMITH  
*Wincarnis Works, Norwich*

### A plea for selling

TO THE EDITOR:

At one of the meetings of the War Industries Board Association, during the depression of 1920, I said that there was needed in peace a "WILL TO SELL," just as in war there was a need of a "will to kill."

My point then was that the demand for goods for several years had dulled the actions of the vendors and that they still labored under the feeling that customers would demand goods and need not to be cultivated. In fact, the ordinary shop clerk was usually discourteous.

My point now is that the merchants themselves have lost contact with their businesses and are dealing in a hopeless sort of way in what they seem to think are attractive methods.

Advertisements, even the most alluring, can do no more than attract the interest of the possible buyer (what they now call a "prospect"). There must be behind every ad an intelligent selling force. Once the customer is in the shop, the ad is, to all intents and effect, dead. The next vital need is a human being in the shape of an interested vendor. There are only a few automatic eating places in the whole country, and I still feel indigestion from the ones I have visited, and I hope to make most of my purchases from something other than a Robot.

THOS. C. POWELL  
*Retired Chairman of the Board of  
C. & E. I. Railway Co.*

### One for the builders

TO THE EDITOR:

The construction of the modern skyscraper really differs little from the construction of the Pyramids of Egypt in one particular—when the spot selected has outlived its original purpose and the activities which actuated its construction have moved on, this modern pile becomes a monument of a past life.

Where is our ingenious American engineer who can construct his building in such a fashion that with small cost it could be segregated into its original parts and moved to its new location, there to be assembled again and be a useful home for its former activity?

Why is it not possible for Mr. Jones of Extown to go to Largetown, buy himself a building on a location where it no longer serves its purpose and erect it with pride and profit in his own town, thus making productive the location in Largetown for such use as is more suitable to new conditions?

I believe this is a practical and econom-

ical idea; no doubt there will be those who will say it can't be done, while someone is doing it.

ARMAND L. WELISCH  
*Secretary and Treasurer  
Rice Millers Association of California,  
San Francisco, Calif.*

### What the press can do

TO THE EDITOR:

To my mind one of the major things which is stopping revival may be summed up in the one word "Fear." We are told to spend normally, we have "Spend \$5 Days," "Make an odd job," and many other such stopgaps. How we would like to do this, yet we are afraid. In my own case, I am just itching to buy a new car, my house could stand a painting, and my drive needs a liberal dose of cement, but I just don't do these things because I fear that the money I would spend for these things I may need for the necessities of life. My associates and friends mostly are in the same frame of mind.

I believe that the greatest influence on public life is exercised by the newspapers and periodicals. They mold public opinion. Yet right in their own power is a remedy which none of them to my knowledge has yet advocated. I would call it, for want of a better name, censorship of bad news. We had it to some extent during the war, and surely the present period is as trying in many respects as that evil experience. Would it not be possible for newspapers and periodicals through their organizations to get together and agree to quit printing so many unfavorable items, and to concentrate on favorable news instead. Instead of big headlines for receiverships and failures, let these same headlines be for something constructive.

ARTHUR HIRSHFIELD, Secretary  
*The D. Jacobs Sons Co.,  
Cincinnati, Ohio*

### An attorney's view

TO THE EDITOR:

The bankers of the country are determined to maintain the gold standard. The policies of the Federal Reserve and of the Government coincide with this desire and both of them forget that the business of the country has never been done on the gold standard—the business of the country has been done on bank credit.

The country has now come to a pass where the value of securities usually offered as a basis for bank credit has been so depleted that it is impossible for the banks to find borrowers who are "responsible" in the sense that they are able to put up two, three or four to one of liquid assets for the purpose of the loan.

Under these conditions there is no amount of money that can be poured in at the top of our financial structure that will seep through to its foundations in sufficient quantity to stop the downward slide of this depression. The credit structure of this country has been destroyed by the Federal Reserve system and the banking fraternity and it will have to be built up, not from the top, but from the bottom.

The only thing that the Government could do to assist in this process it is not



proposing to do at all, and that is issue currency for the production of enormous numbers of productive enterprises, taxing the monies back from the income of the enterprises.

And the banking system of the United States is going down to a common ruin with the communities served by the banks unless credit is reestablished or currency issued for the transaction of the business in some such way as this.

ARTHUR LESUER, Attorney-at-Law  
Minneapolis, Minn.

#### A tip for borrowers

TO THE EDITOR:

Our suggestion to the friend, manufacturer or individual applying to a bank, banker or finance company for money, is to buy his money as he buys any other commodity, on a competitive basis.

"Speak up, Mr. Applicant. Stop your grand salaaming and cringing and bowing. Don't make any excuses for needing money. No apologies are necessary, there isn't a successful organization in the world that is growing that cannot use money in the development of its business. Don't make yourself the under-dog. If you are affiliated with a reputable organization, any number of banks or bankers or finance companies are more eager to do business with you than you are to deal with them."

It is simply a question of fitting into the standards of the particular company with which the applicant wishes to do business. Once such standards are met, the applicant is almost in a position to dictate terms, and certainly no apologetic qualms and tremors are necessary.

THEODORE H. SILBERT  
Theodore H. Silbert & Co.  
New York, N. Y.

#### For auto dealers

TO THE EDITOR:

Trading used cars, if continued along the present lines, will break the best man from Maine to California. If a dealer today sells 100 new cars he usually trades in 150 against them. He is selling all his cars on time and paying cash or its equivalent for the used car.

You of course know the plan of the acceptance companies:

New car \$1,500, trade in allowance on old car \$500 as a third down on new car—no cash—overallowance perhaps on car traded in, sometimes \$200 overboard to beat his competitor—results at the end of the season—no wheat in bin.

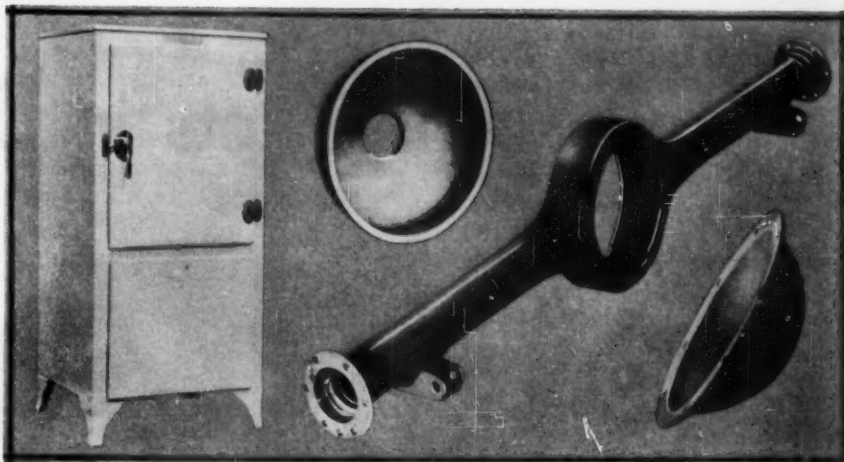
Here is what I believe to be the solution!

If I trust you, you must trust me. Instead of taking wooden money from the customer in the way of a used car, why not take his car on the same terms as you are selling him—results are easily computed. . .

Let's buy his used car for \$500 and pay him 40 per cent down, balance in six months. Then the dealer will have some cash to work on—that seems fair, it is at least RECIPROCAL.

I know this plan can be worked out to the advantage of both manufacturer and dealer—if they will pull together.

CLARENCE H. HILL  
Broad Park Lodge  
White Plains, N. Y.



## Reduced Costs and Redesign

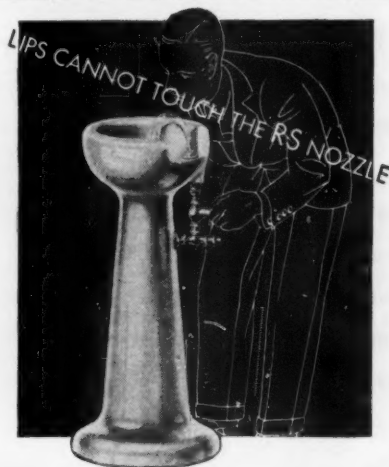
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# How Gold Acts in Depression

**E**NGLAND went off the gold standard in September of 1931. She took Canada and India with her. Other nations followed. Today countries off the gold standard include Denmark, Sweden, Norway, Finland, Greece, Portugal, Spain, Mexico, Argentina, Brazil, Colombia, Chile, Peru, Uruguay, Venezuela, China and Japan.

As this is written the United States, France, Belgium, The Netherlands, South Africa and Switzerland are the only nations which still cling to the gold standard and some of these, according to reports, are on the standard only in theory.

In spite of this retreat, or because of it, the production of gold is increasing persistently. In a time of world-wide depression gold mining is a prosperous and expanding industry, providing employment for several hundred thousand workers. If gold, as a medium of exchange, is to blame—as some people think—for our present economic difficulties, at least gold, as a commodity, is doing its part to lead us back to a new period of prosperity.

There is no paradox in this. It is merely the functioning of economic law. Depressions with their accompanying low commodity prices always bring increased gold production. In this particular depression, however, the phenomenon has awakened more than the usual interest. Gold is more discussed today than it has been in the past 30 years. A metropolitan newspaper recently carried five articles on gold on a single page.

This is a great deal of publicity but gold is accustomed to the spotlight. It has been important for at least 5,000 years. It was probably the first metal to attract the attention of prehistoric man.



EWING GALLOWAY

Seventy-five ounces of pure gold which may help bring higher prices



**WITH most of the world off the gold standard, gold mining is one of the most prosperous industries of the day. This is not a paradox. Gold mining always increases in hard times. The reasons for this and the results are set down in this article, together with some other interesting facts about this most interesting metal**

The earliest mining work of which traces remain was on gold ores in Egypt, and gold washing is depicted on monuments of the fourth dynasty there, about 2900 B.C.

Beauty of the metal undoubtedly had something to do with this early popularity but the fact that gold could be obtained by the simplest mining operations and was fusible and malleable by the most primitive processes must have been a consideration. It has always been a precious metal and, since earliest times, has been held by human beings in what Professor Gratton of Harvard calls "a peculiar and concerted psychological regard." This regard and the fact that gold is rare but not too rare, is

enduring, can be divided into large or small units and may be transported with little trouble led to its early adoption as a medium of exchange and, in more recent years, to the adoption of the gold standard.

When a nation goes on the gold standard it declares that a certain weight and fineness of gold is interchangeable for a certain unit of its currency system. It agrees to pay its debts in gold and to accept gold from its debtors. Because gold does not generally circulate in trade but is replaced by more convenient paper currency, a country can safely issue currency amounting to double or triple its gold reserve.

## More credit than gold

**BECAUSE** of this currency expansion and because credit, in the form of bank checks, stocks, bonds, mortgages and promissory notes, takes the place of actual money, the volume of business can be much greater than the total sum of gold available. Estimates of the total stock of gold in the world today range from \$11,000,000,000 to \$13,000,000,000. Even in depression times the world's annual business is more than 20 times that figure.

Although gold appears to have been used as a medium of exchange in China between the eleventh and third centuries B.C., the gold standard did not appear until the 1870's when, after the Franco-Prussian war, the newly united Germany adopted it and the rest of Europe and the United States followed suit.

A few years earlier this course would not have been possible because gold was too scarce. Before 1848, when gold was discovered in unprecedented quantities in California and Australia, there was



probably only about \$2,500,000,000 worth of gold in the world. These two great discoveries doubled the world's stock of gold in the next 20 years.

By 1870 world production had reached 6,270,086 fine ounces a year. It declined after that, but discovery of the Transvaal deposits, about 1890, and of the Cripple Creek deposits soon afterward boosted production to 7,618,811 fine ounces in 1893. It continued to increase until 1915 when it reached 22,737,520 fine ounces, the largest amount ever produced in a single year.

After that it declined. The World War was chiefly responsible. It took man power from mining, prices went up, gold was not a needed war material. Production remained low until 1930, when it reached 20,160,355 ounces. In 1931 it had climbed to 21,300,000 and this year, forecasters say, the 1915 record may be broken.

To understand this increased production at this time when most of the nations have turned away from gold, it is necessary to understand that gold, in addition to being a medium of exchange, is also a commodity, subject to the law of supply and demand.

Although the price of gold is fixed at \$20.67 a fine ounce in this country and at approximately the same figure in other gold standard nations, the price

of gold actually fluctuates. When gold is scarce, people are willing to trade more of other commodities for it. This means that commodity prices are low. When gold is plentiful, its value in relation to other commodities falls off and commodity prices are high.

### Gold produced more cheaply

COMMODITY prices are low today. Thus labor, machinery and materials needed in gold production can be obtained cheaply. Once produced, the gold will buy more than in normal times. So it pays to produce gold. But, as the supply of gold increases, prices of other commodities will go up.

We have already seen this theory begin to work out in practice in England. When England went off the gold standard, gold was scarce in England. That meant a high price for gold. As a result, large amounts of gold that had once been used in jewelry and art came into the market, while an enormous amount of gold that had been hoarded in India was also released. Some 7,000,000 ounces of gold was added to the world's money supply.

This increase cannot go on without the final phase of the theory becoming operative. Either England will go back on the gold standard or retail prices will

rise until there will be no advantage in selling gold for depreciated currency.

In the meantime actual production has been speeded up. Last year, South Africa produced 155,000 ounces more than in 1930 and in the first two months of 1932 its production totalled 1,850,000 ounces. There is reason to believe that this rate can be maintained, as labor is plentiful and many mines have been able to increase development work and can now handle increased tonnages of ore.

In Canada where the 1931 output rose 557,000 ounces above the previous peak, several new mines will start production this year. Australia's production increased 25 per cent in 1931, due to the beginning of new operations and the reopening of old ones.

Mexico, Russia, West Africa, Belgian Congo, New Guinea and Sweden are all at least holding their own.

The United States has long been considered a declining factor in gold production but the 1931 output was the highest since 1925.

Alaska, California and South Dakota are the leading gold producers, although Idaho will have two new mines this year and the Eureka Standard mine in Utah is the highest grade large mine in the world. It is likely that a larger share of this increased production will go into monetary uses than is the case in normal times when about 40 per cent of the new gold goes into industry and jewelry.

### Gold still used in trade

THIS increase in the supply of gold should mean higher world commodity prices, even with most of the world off the gold standard because, as the case of England proves, the fact that a country is off the gold standard does not mean that gold loses its value there. Moreover, countries that are off the gold standard continue to buy gold, because international trade is still done

(Continued on page 50)



Gold can be produced by the simplest mining operations, hydraulic mining is one of the most common



This dredge on the Sacramento River digs its own channel

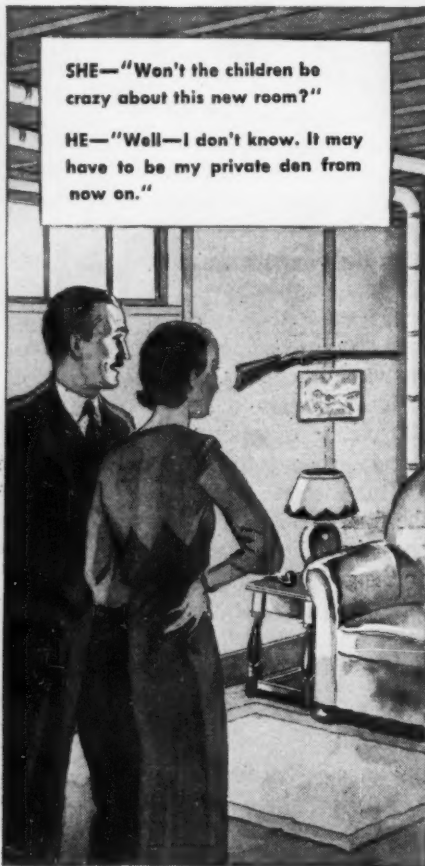
MR. ATWOOD

thought they  
—until MRS.

SHE—"My dear, I could just live in this kitchen."

HE—"And now I won't have to have it painted every spring."

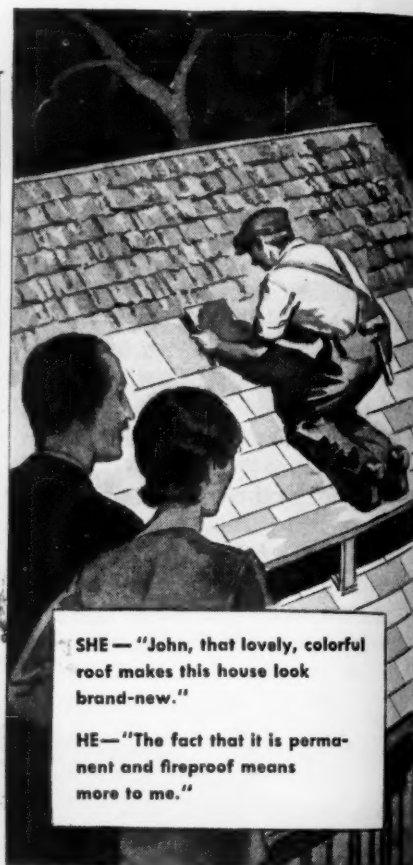
**A modern tile kitchen. They paid \$10.00 down.**  
J-M Asbestos Wainscoting, the new, permanent, colorful wall material having all the advantages of tile but which can be applied quickly in sheet form by any good carpenter.



SHE—"Won't the children be crazy about this new room?"

HE—"Well—I don't know. It may have to be my private den from now on."

**This Recreation Room cost only \$8.00 down.**  
J-M Insulating Board—ideal for finishing attics, storage or playrooms—is a homogeneous, all-wood fibre board, combining strength with rigidity and high insulating value.



SHE—"John, that lovely, colorful roof makes this house look brand-new."

HE—"The fact that it is permanent and fireproof means more to me."

**Genuine Asbestos Shingle roof—\$19.50 down.**  
J-M Asbestos Shingles are the ideal roofing material—permanent, fireproof, colorful. No J-M Asbestos Shingle has ever worn out. Available in a wide range of colors, styles and prices.

PERHAPS you planned to build this year and now find you can't afford it. Perhaps you had rejected even remodeling as being too expensive. In any case, Johns-Manville has a plan that should appeal to you. A plan that covers only a few important home improvements, making them possible now—in whole or in part—at minimum cost.

Because of the convenient Johns-Manville Deferred Payment Plan, Mr. and Mrs. Atwood invested only \$62.20 down. What did they get?

They covered the unsightly plaster in the bathroom and kitchen with new, permanent, colorful walls of J-M Asbestos Wainscoting.

They quickly converted wasted basement space into an attractive recreation room by using J-M Insulating Board.

They exchanged high fuel bills in the winter for definite economy in heating—hot rooms in the summer for real

indoor comfort—all by means of J-M Home Insulation.

And, in addition, they reroofed for the last time with J-M Asbestos Shingles—permanent, fireproof, maintenance free, adding real color and charm to the appearance of their house.

. . .

Perhaps your home does not need all these improvements to make it more livable, more modern. Perhaps it needs more. But, in any case, fill out and mail the attached coupon. We'll arrange to have your local J-M Dealer give you all the details of this new plan. He'll be glad to submit an estimate without any obligation to you.

And be assured, with the low prices on J-M materials, the liberal Deferred Payment arrangement, plus the facilities and skill of the trained Johns-Manville contractors, that here is a sensible modernization plan that will work wonders with your home at a minimum investment.

When writing to JOHNS-MANVILLE

Insulate  
J-M Hor  
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A thick  
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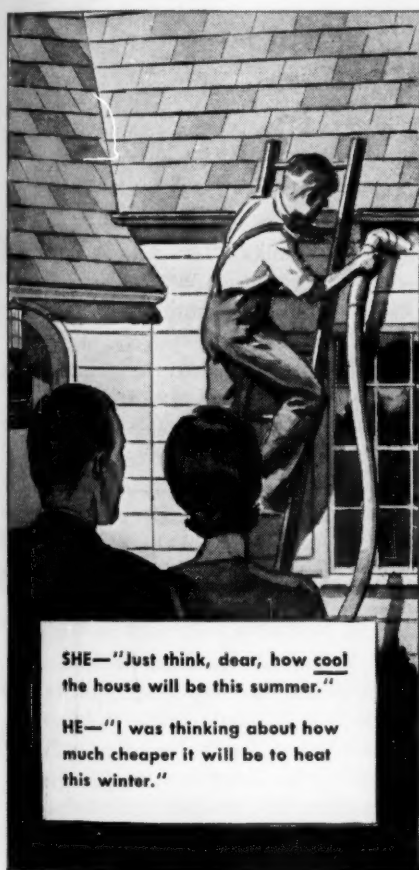
CORPORAT



couldn't afford it either

ATWOOD *proved* what \$62<sup>20</sup> would do

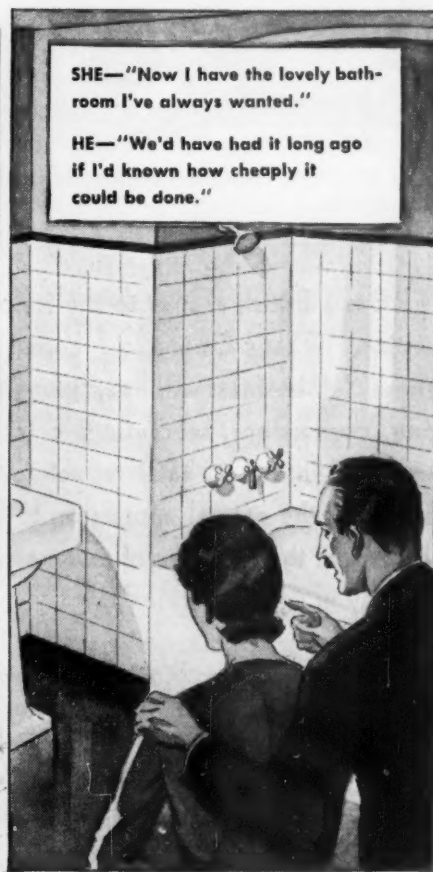
Here's real news for HOME OWNERS who haven't much money to spend this year. Now—for a very modest sum—your local J-M Dealer can make your home more modern . . . more attractive . . . more comfortable . . . cooler in the summer . . . far cheaper to heat in winter.



SHE—"Just think, dear, how cool the house will be this summer."

HE—"I was thinking about how much cheaper it will be to heat this winter."

Insulated against heat and cold—\$18.20 down.  
J-M Home Insulation cuts fuel bills 35% to 50%—makes rooms 8° to 15° cooler in the summer. A thick insulation, three to four inches of "rock wool"; permanent, vermin-proof, rot-proof odorless, fireproof.



SHE—"Now I have the lovely bathroom I've always wanted."

HE—"We'd have had it long ago if I'd known how cheaply it could be done."

Colorful, tile-like bathroom walls—\$6.50 down.  
J-M Asbestos Wainscoting will stand up under the most trying household conditions. Its attractive surface is easily and quickly cleaned—colorful and permanent.



\*Estimate for  
modernizing the home of  
Mr. and Mrs. A. T. Atwood,  
C\_\_\_\_\_, N. Y.  
under the J-M Plan

Down Payment	
KITCHEN—13' x 10'—J-M Wainscoting. Cost \$112.00	\$10.00
RECREATION ROOM—1100 sq. ft. J-M Insulating Board. Cost \$92.00	8.00
NEW ROOF—J-M Asbestos Shingles (Dutch Lap). 13 squares. Cost \$226.50	19.50
INSULATION—J-M Type A—blown between attic floor and second floor ceiling. 943 sq. ft. Cost \$198.38	18.20
BATHROOM—5' x 8'—J-M Wainscoting. Cost \$77.00	6.50
<b>Total down payment \$62.20</b>	

\*(Naturally these costs may vary slightly depending on labor costs in various localities. The local J-M Dealer will gladly estimate your modernization needs.)

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Controls  
HEAT, COLD, SOUND, MOTION  
Protects against  
FIRE AND WEATHER

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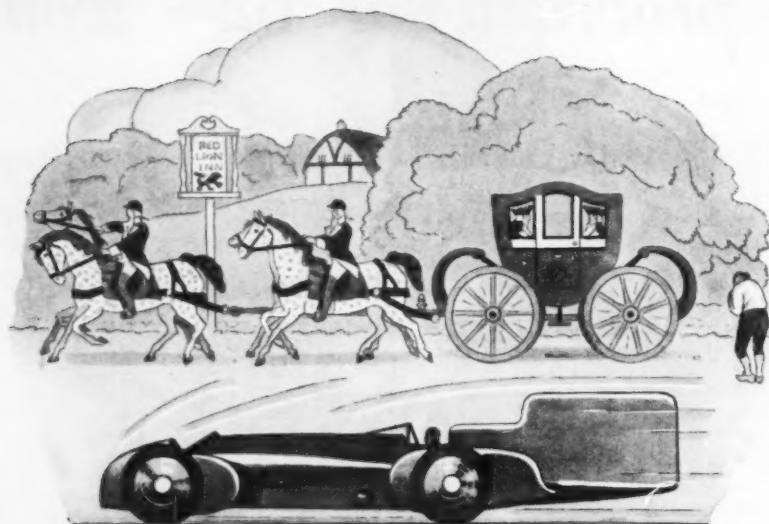
Please tell me more about the new J-M Home Modernization Plan. I'm particularly interested in ☐ J-M Wainscoting ☐ J-M Reroofing ☐ J-M Home Insulation ☐ New Rooms with J-M Insulating Board. NB-8

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City \_\_\_\_\_ State \_\_\_\_\_

# They've Seen Panics Before



George III and Malcolm Campbell both rode in their coaches

**A**ERICAN school histories relate an incident which occurred in Boston Harbor in 1773. On December 16, of that year, a group of ardent colonists dumped a consignment of tea into the waters of the harbor. This manifestation of patriotism is emphasized as one of the stepping stones to independence. If that is the case, this country owes a debt of some sort to the firm of Davison, Newman & Company, London grocers and teamen, a company still active today.

It was their tea.

This detail of a drama whose characters have remained singularly anonymous in American print is revealed in some interesting correspondence which recently appeared in the London *Daily Telegraph*. In a letter to the editor, a subscriber raised a question as to the oldest firms in England. The query aroused a remarkable response. From all over England, and from Ireland, came bids for the honor.

There is a good bit of comfort to be had from this correspondence. Having read the records of these sturdy old firms, it is a little hard to believe the pessimists who tell us that the world is going to pot today.

A group of rampant Bostonians might scrap the cargo of the good ship *Dartmouth* and shape the destiny of a

**HERE** is a British answer to the forlorn question "What's Going to Happen to Business." If business will keep plugging along, depressions, revolutions or civil wars need have no fatal effects. At least that is the natural impression to be gained from these stories of commercial longevity in widely varying lines

continent. Davison, Newman & Company entered a 220 pound debit in their books and went on selling groceries as they had been since 1650 and have been ever since.

Panic, pestilence and revolution have repeatedly swept the world but the business has gone on. So, too, has that of Thomas Field, a wax chandler who retired in 1518 after laying the foundations of the firm of J. C. and J. Field, Ltd. This is the firm which made the candles for Admiral Drake's vessels as they outfitted at Plymouth before sailing out to meet the Armada.

And while the candle-makers toiled at Lambeth, one Robert Mot, in his foundry established in 1567, had temporarily ceased moulding bells to cast cannon for the fleet. In 1914, the firm which he founded deserted bells again to make various types of munition castings for the World War.

Dollond & Aitchison, Ltd., have also done their part to assist the military. Practicing opticians since 1750, this firm turned early to the manufacture of telescopes. Lord Nelson used one of their telescopes and if Wellington, at Waterloo, turned his Dollond telescope on Napoleon's headquarters, he may have observed the Little Colonel gazing back at him through a similar glass.

Also represented at Waterloo was G. W. Scott & Sons, Ltd.

This firm of basketmakers, which dates back to 1666, made, and still makes the wicker linings for the bearskins or Busby worn by the Guards. A member of the firm patented a wicker perambulator in 1854. In its early history the company made hoops to extend the skirts of the fashionable women of the time. Queen Anne was numbered among their customers for this item.

The Queen, a famous gourmet, was also a customer of Crosse and Blackwell, Ltd., makers of condiments, relishes and similar products. It was for this firm, too, that Qualliotti, ex-chef to Napoleon, first produced potted meats and "Piccadilly."

Queen Anne appears in the correspondence a third time in a letter from Fortnum and Mason, Ltd., reputed to have been founded by a Fortnum who was a footman in the royal household during her reign. One of his duties was



filling the candlesticks used by the royal family every night. As a return he received the used candles which he sold to the women of the household staff. When he retired from service, therefore, he already had the nucleus of the business he was to build up.

His first venture was in selling groceries in a doorway. Soon, however, having been joined by Mason about 1708, the firm was calling itself the "Foreign Warehouse of the World," and was specializing in requirements of sportsmen and travellers. During the Crimean War it catered especially to the officers and there is record of a tribute paid by Florence Nightingale to the benefits derived from Fortnum's beef tea sent out by Queen Victoria.

### An ingenious smelter

ANOTHER ingenious pioneer was John Read to whom the Sheffield Smelting Co., Ltd., traces its ancestry. Read settled in Sheffield at a time when every man of standing wore silver buttons on his coat and silver buckles on his shoes. Many of these were made in Sheffield workshops and there was some waste in their production. Read saw an opportunity in this. This waste was raw material for a smelter and tradition has it that he did the manufacturers the favor of removing their waste free.

All sorts of crafts are represented in the correspondence. H. W. Caslon & Company, Ltd., founded in 1720 by William Caslon, is still going strong. Caslon's skill as an engraver of gunlocks caused William Bowyer, a famous printer, to assist him in setting up a type foundry. Soon afterward Caslon cut the famous font of Roman type which bears his name and is still in general use throughout the world.

That first font of type was probably used on paper made by the Crompton mill, founded in 1674 and still carrying on.

Other present day firms which trace their beginnings back through the centuries include:

The Sun Insurance Office, Ltd., founded in 1710, which, in its early history, maintained "thirty lusty able-bodied firemen who are cloth'd in blue Liveries and having Silver Badges with the Sun mark upon their arms and Twenty able Porters likewise, who are always ready to assist in the quenching of fires and removing goods, having given Bonds for their Fidelity."

The firm of Barker & Company, Ltd., coachbuilders since 1710. George III and William IV rode in their carriages. So did the Duke of Wellington.

So did Sir Malcolm Campbell when he broke the world's speed record.

C. T. Brock and Co., makers of fireworks, whose business was illegal for 155 years.

The Messrs. Hamley Bros., Ltd., toy-makers since 1760.

The firm of Charles F. Scripps & Co., Ltd., founded by a Bowstreet runner named Brown in 1783, which makes a claim as being the oldest advertising and newspaper agency.

It is quite likely that the firm of Heal and Son, Ltd., furniture makers, was one of the early patrons of Scripps. At any rate this business, founded in 1810, and still carried on by the same family, early saw the advantages of advertising. When Charles Dickens was publishing his novels in weekly parts, Heal and Son's advertisements appeared in the pages of "Master Humphrey's Clock", "Dombey and Son", and "Bleak House."

Some interesting views of the times are provided by Allen & Hanbury's, Ltd., pharmacists since 1775, and Smith, Hill & Co., Ltd., linen drapers since 1710. The former reports that:

"William Allen, the well known humanitarian and philanthropist, became a partner in 1795. He was accustomed to rise betimes in the morning and light his own fire. While he was shaving, his daughter used to read to him in Latin and immediately after breakfast his sister, Anna Hanbury, read to him in French."

Smith, Hill & Company state:

"In the early days the apprentices used to sleep on the premises. The staff consisted entirely of males and the usual remuneration for the first year was nothing, for the second year eight pounds, for the third ten pounds. Board, washing and lodging were provided free. Hours were long. The staff were called at six so that their pigtailed could be adjusted, hair powdered and curled—indispensable preparations for employees in linen drapers' shops of those days."

Perhaps, however, the record for longevity goes to Messrs. John G. Rathborne, Ltd., founded in 1488, in Dublin. Its business was bleaching beeswax and making candles, and for 425 years the business was handed down from father to son. Although the company was taken over by Messrs. Lever Bros., Ltd., in 1913 it is still known by the same name.

The oldest English firm mentioned is Hoare and Company whose history dates back to 1492 when King Henry VII licensed one John Merchant to export 50 tons of ale called "berre."

About the time of the Restoration the brewery passed into the hands of Sir John Parsons and his son, Humphrey Parsons, succeeded him. Humphrey became Lord Mayor of London in 1730 and it is recorded that, on a certain occasion, he went hunting with a party which included Louis XV and his suite.

Humphrey was exceedingly well mounted and, contrary to the etiquette observed in the French court, he outstripped the rest of the company and was first in at the death. The startled monarch inquired whom this errant horseman might be and was informed that he was "un Chevalier de Malte."

The king, however, summoned Humphrey and asked the price of his horse. The Chevalier, who, it seems, could speak as prettily as he rode replied that the horse was beyond any price other than his Majesty's acceptance. The King took him at that figure and thenceforward Chevalier Parsons had the exclusive privilege of supplying the French court with porter.

### Life wasn't all work

NOR did these ambitious early business men believe in a doctrine of all work and no play. The first of four Drury Lane theaters was erected in 1660.

The first Drury Lane, according to the letter to the Telegraph, survived the plague and the Great Fire only to be destroyed by fire in 1672. Its successor, opened in 1674, was pulled down in 1791. The third theater was burned down in 1809.

The present building was opened in 1812 with an address by Lord Byron.

It is hard to believe that an economic system which can set up such records as these is unsound as its critics insist. It is heartening to read this correspondence and to realize that the troubles that beset us today cover, after all, a pretty short time in the life of a business or of a nation. But perhaps the most encouraging note of all appears in an experience of Hedge and Butler, Ltd., founded in 1667 and carried on by the same family ever since.

Recently this firm received a letter from the Court of Chancery stating that it had a sum of money to distribute on behalf of a certain estate. There was a bill against this firm for wine, dated 1856. If the firm could establish the claim, the debt would be paid.

The records were dusted off, the debt established and the money paid with interest.

Perhaps we have been too hasty in charging off bad debts.

# Will you give your child a chance to be one of the leaders of the next generation?

## Metropolitan Life's contracts afford a means to

- create estates and incomes for families
- pay off mortgages
- educate children
- provide income in the event of retirement
- establish business credits
- stabilize business organizations by indemnifying them against the loss of key-men
- provide group protection for employees covering accident, sickness, old age and death
- provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from \$1,000 up to \$500,000 or more, and from \$1,000 down to \$100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.



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**H**OW many times have you looked at that youngster of yours and wondered what he would be like twenty years from now? The leading men and women of the future are among the boys and girls of today.

Will your son have the education necessary to qualify him for leadership?

More and more comes the demand for properly trained men and women. Each year the competition between the trained and untrained shows more clearly the advantages of planned education.

Give your boy his chance—a real chance. You want him to find himself and make a place for himself, and you hope to live long enough to see him looked up to as a leader.

A Metropolitan Field-Man will help you arrange a Planned Educational Fund through which your boy's training will be made sure.

It is a simple guaranteed arrangement—adjusted to meet expenses of professional, business or vocational training. Funds are accumulated while your children are growing up.



For details regarding a Metropolitan Planned Educational Fund, consult a Metropolitan Field-Man or write to

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# "Our Wonderland of Bureaucracy"

**I**N his new book, "Our Wonderland of Bureaucracy" (Macmillan \$3.00), James M. Beck, distinguished as a lawyer, once solicitor-general of the United States, and now a representative in Congress, puts between covers a gospel that this magazine has been practicing for ten years.

He recognizes that American independence, American individualism, are being smothered under a growing, spreading mass of officialdom. He sees that Government takes from the citizen each year a larger part of his earnings and adds each year to its control of the citizen's life and its regulation of his business and his home.

A paternal Government says to him: "We know better than you how to raise your children, to guard your health, to till your farm, to manage your business. We propose to supervise your activities, and even to run business in competition with you. And what's more we propose that you shall pay for it at a rate we shall fix."

Mr. Beck has chapter and verse ready to prove the truth which I have roughly outlined above. He has given as no other writer has done the historical background of bureaucracy in the United States. He has traced the battles over powers of appointment and removal that took place in the Constitutional Conventions, the Congress and the Court. No man could be better fitted for this task than Mr. Beck.

How do bureaus grow and bureaucrats wax fat? Mr. Beck answers by sketching the history of an imaginary Federal Mortuary Bureau.

A mortician, feeling that his calling has been neglected, enlists the aid of a friendly Congressman and an appropriation of \$25,000 for the study of sanitary interments. Lo! a bureau is born and soon the solicitous mortician or some one who needs a job is "United States Chief Mortician—appointing a first and second assistant Chief Mortician and a secretary for each of these exalted functionaries and at least three stenographers and a messenger."

Then an appropriation is put through for research, a scientist starts a study of post mortem changes in the human cadaver, two others go to Europe to investigate methods of burial, ancient and modern. Soon it is plain that investigations must be made into the best

material for coffins and the claims of marble and granite for headstones.

It isn't finished yet. The Bureau gets an appropriation for Federal Aid to such states as adopt the United States Standard Burial Code.

"Then the Chief Mortician—swollen with the pride of office—employs the radio for a 20 minute nation-wide broadcast in which after some orchestral music and a song of some famous 'crooner' the Chief Mortician implores the people of the United States to enlist in the great crusade, whose slogan is:

'More and better funerals,  
If eventually, why not now?'

Each year the appropriations grow and each year the activities of the Bureau expand."

## A picture true to life

MR. BECK'S picture is fanciful but no student of government would call it exaggerated.

How grave is the evil? To quote our author once more:

"The taxpayers are directly or indirectly supporting at least ten million people in the government, federal, state and municipal, or one-twelfth of the population of the country, and, as many of them exercise large discretionary powers, bureaucracy has become a real menace to the welfare of the nation. Many of the federal bureaus have no justification in any grant of power and are fast making the Constitution a mere rhapsody of words."

Mr. Beck is not hopeful of the future. He feels, or his book made me

feel—that the political senses of most Americans have been dulled, that we are indifferent to the evil of bureaucracy; that we accept this slavery to government in the hope somehow that we, too, shall benefit by it. Is there a way out? Perhaps, Mr. Beck suggests. It may come when the burden of taxation is more deeply felt and felt by more people. Here is Mr. Beck's view:

"Only one consideration will ever induce the American people to retrace their steps, and that is the ever-increasing expense of bureaucracy; and even this consideration will not greatly affect them until they become 'tax conscious.' They will never become 'tax conscious' until the burdens of taxation are distributed more equitably. As long as only 400,000 people out of 120,000,000 pay substantially all the income taxes of the country—and that constitutes the largest source of our revenues—the great mass of the people will be quite content with the redistribution of property through a gross perversion of the function of taxation."

I wish Mr. Beck had laid greater stress on that last sentence. It seems to me that much of the evils of bureaucracy are due to a vague and ill-defined form of a socialism, to a feeling that in some way if we let the Government do more and more for us, those with more income and more property than we will have to pay. It is so easy to say "no man should have more than \$100,000 a year," or "a million is all any man should leave to his son." And if we take away that surplus what is pleasanter than a dole or an old age pension?

—J. W. B.

## On the Business Bookshelf

IT SEEMS that a book by a University dean should be the worst form of a "professor book"—an impractical book written by a professor largely, the reader feels, because the professor must get his name affixed to a publication—but "Business Looks at the Unforeseen," by Dean Wallace Brett Donham of the Harvard Graduate School of Business Administration be-

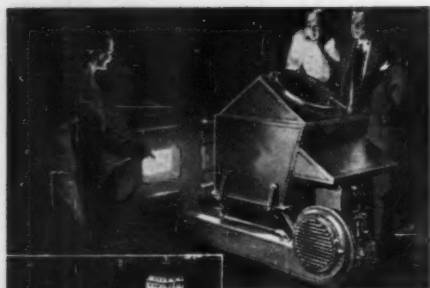
**BUSINESS LOOKS AT THE UNFORESEEN**, by Wallace Brett Donham. Whitteley House of McGraw-Hill Book Company, New York, \$2.50.

lies that description. It is as clear-cut and practical as any business man would wish.

His major theme is a lasting solution of business instability. He advocates the formation of a central thinking agency to study business evolution and anticipate change. But this agency is not to have control of industry. Central control would lead to bureaucracy quickly and this country's progress has been made by individualism. One most important job of this central thinking agency is to study "the principal shocks

# 17

## new customers in Milwaukee cut fuel costs 49%



Cudahy Tower and Apartments, Milwaukee, now heated with two Iron Fireman Automatic Coal Burners at a fuel cost saving alone amounting to 37 per cent.

● Iron Fireman more than makes good its claim of 15 to 50 per cent fuel cost savings. Seventeen very recent cases in Milwaukee show average fuel cost savings of 49 per cent. In addition, the boilers in which these Iron Fireman are installed now provide steady even heat and power, smokeless combustion; require less attention, and deliver greatly improved results in every way.

It is sensible and practical to install Iron Fireman now. Financing an Iron Fireman installation is no problem. The savings and betterments are so large that no going business can afford to overlook them.

An Iron Fireman engineer checks your boiler room. He learns your requirements, your present cost of fuel and firing; he delivers you a written estimate and report showing exactly what Iron Fireman will do for you. The scientific accuracy of these surveys has been proved in thousands of instances—you are taking no chances.

With these facts before you, you can figure just what an Iron Fireman will mean to you. Combined savings of Iron Fireman owners will be more than \$7,000,000 this year in fuel costs alone. How much are you needlessly throwing away? Send us your name and address and let us lay the story before you as applied to your own case. Iron Fireman Manufacturing Company, Portland, Oregon; Cleveland, Ohio; Toronto, Canada. Dealers everywhere.



# IRON FIREMAN

*Automatic Coal Burner*

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☐ Residence ☐ Industrial

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to which society is subject and to recommend elastic institutions or programs which will meet these shocks as nearly automatically and with as little delay as possible." Further, he says, "it is our major task to contribute elasticity to our social mechanisms, elasticity without which the shocks of scientific change cannot be absorbed."

Under the chapter heading, "Current Problems and Plans," Dean Donham recommends that we concentrate on our home markets and abolish our intensive efforts to get foreign trade. He sees foreign trade, except for raw materials, on the down grade and thinks our giving up high-pressure selling would strengthen our diplomacy. He

believes any solution of our farm problem would add to our trade immensely more than we could expect from international trade.

SIR Josiah Stamp in 1930 gave a series of lectures to students of an English university. The series, with a chapter on the gold standard added, have just been published.<sup>2</sup> The book deals with economic problems resulting from the war. As it is designed for students, the examples and explanations are particularly clear.

**THE FINANCIAL AFTERMATH OF WAR**, by Sir Josiah Stamp. Charles Scribner's Sons, New York, \$1.75.

## How Gold Acts in Depression

(Continued from page 43)

on a gold basis and settlements are made by shipments of gold.

So economists are interested, not only in the increased production of gold but in how long it can be maintained. The answer to this latter question must be, at best, a guess, but those who are fitted to make the guess are inclined to be optimistic.

Although some of the biggest present workings are admittedly nearing their end, it is pointed out that the scientific study of mining economies has scarcely begun. Costs may be lowered to the point where a great tonnage of known ores can be worked at a profit.

In addition, although the discovery of new gold has not kept pace with the exhaustion of the old mines, geological study and research have advanced rapidly in recent years. The searchers have a large and virgin territory in which to prospect. John Wellington Finch, dean of the Idaho School of Mines, estimates this unexplored area at 34 per cent of the earth's surface.

Although 63 per cent of this region cannot be expected to produce gold, the rest, or 13 per cent of the earth's surface, is quite likely to yield gold.

These areas have been passed up largely because they were inaccessible, but, by the use of airplane, specially adapted automobiles and light power boats, they can now be entered. With the aid of geologists who have not only been successful in many instances in finding hidden gold, but who can simplify the search by blocking off large sections where discovery is unlikely, new supplies of gold to meet the increasing needs of the world's commerce may be made available.

Pointing out that commerce uses but does not consume gold, Dean Finch estimates that "the world's gold stock might accumulate to \$20,000,000,000 or \$25,000,000,000 by 1950 and to \$100,000,000,000 the century thereafter. If there were effective legislation against the use of gold for ornament and for hoarding, this amount could be employed as money."—P. McC.

## Where Business Will Meet in August

DATE	ORGANIZATION	CITY
1-5	National Association of Chiropodists	Washington
1-5	O-M-I International Photographers Association	Cedar Point, O.
1st wk.	National Merchants Association	Minneapolis and St. Paul
3-5	International Baby Chick Association	Milwaukee
8	Universal Craftsmen Council of Engineers	Cedar Point, O.
9	Southern Travelers Association	New York
9-12	International Apple Association	New York
11	National Malt Products Manufacturers Association	Chicago
15-17	National Food Distributors Association	Chicago
15-19	National Shorthand Reporters Association	Los Angeles
15-20	Pacific Coast Gift and Art Association	Seattle
16-19	Memorial Craftsmen of America	Washington
22-23	National Association of Boards of Pharmacy	Toronto
22-24	American Cosmeticians Association	Chicago
22-27	American Pharmaceutical Association	Toronto
23-26	Pacific Coast Gas Association	Spokane
25	American Cranberry Growers Association	Pemberton, N. J.
29-9/2	American Chemical Society	Denver
30-9/1	Society of Automotive Engineers	Cleveland
29-9/2	American Institute of Electrical Engineers	Vancouver, B. C.
31-9/2	Pacific Coast Association of Nurserymen	Portland, Ore.

Secretaries of national trade associations are urged to notify Nation's Business of their coming meetings. Notice of conventions should reach Nation's Business at least 30 days before date of publication of the issue in which they are to appear.

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Better cost will Departm principle



## Can the Airplane Pay Its Way?

(Continued from page 28)

morning and have breakfast aloft; spend most of the day in Chicago and return to Cleveland for dinner. Without this service their trips to Chicago would be less frequent.

### Not a freight carrier

THE limitations of the airplane prevent it from becoming a freight carrier and freight is still the big revenue producer for the railroads. The airplane will attract a growing volume of lightweight, valuable merchandise which can afford to pay a premium for speed. A move in this direction was the recent action of the Railway Express Agency and United Air Lines and three other pioneer companies in entering into a contract which reduced air express rates 40 to 80 per cent.

Air express is in its infancy; but in this era of small stocks, quick turnover and speedy replacements, air transportation does have a place in the business picture.

"How does the industry feel about government regulation?"

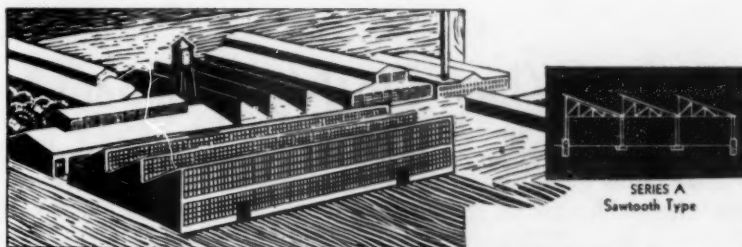
Air transportation is a new industry and should not be burdened with an excess of regulation or laws. Responsible companies, however, I feel sure, are willing to cooperate with designated Federal departments in the enactment and enforcement of necessary reasonable regulations covering supervision and inspection of airplane construction and operation.

### Continuity must be assured

TO insure a proper standard of operations and to make it possible for experienced, qualified companies to plan for the future and invest the constantly increasing capital which the growth of air transportation requires, there must be an assurance of continuity of operation of established lines, subject to proper operating practices and to fair rates both to the Government and the public.

This principle is now recognized by the Federal Government as applied to railroads and by states as applied to stage and bus lines as well.

Better air transport service at a lower cost will be available to the Post Office Department and the public when this principle is recognized and a law.



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N.B.

Over Sixty-Nine Years in Business

# Why I Do My Company's Buying

(Continued from page 24)

the cheap manufacturers forced out of business when the public learns the truth.

Not long ago, for example, one of our salesmen witnessed the selling of 50 feet of garden hose in a large department store. The hose was a "fighting brand," put out this year by a prominent manufacturer, and was sold to the store at three cents a foot—less than the cost of production. The store's selling price was six cents a foot—one hundred per cent gross profit—and the salesgirl assured the customer that the hose was of excellent quality that would last three or four years.

## Sales that hurt later

LATER, the manager of the department told our representative that he knew the hose was of inferior quality, and that he expected many complaints since it might not last through the summer.

"However," he added, "we've got to have cheap goods because the public is demanding low prices, and we've got to keep up our sales."

The truth is that the store made a larger percentage of profit on the inferior goods than it would have made normally on a fair quality of hose retailed at eight or nine cents a foot. I have heard of a great many experiences of the kind concerning the sale of goods in our line and it requires little imagination to realize the outcome. The goods in question are unfairly sold and unfairly bought at the ultimate expense of the public. This manager evidently hadn't figured out how many more feet he would have to sell to make the same amount of business his overhead was based on. He is actually losing money on every foot he sells and the trouble he is going to have with dissatisfied customers will add to his loss.

Every newspaper in the country has been emphasizing the necessity of restoring the public confidence and everywhere we see the public confidence being further undermined by unfair merchandising, based on the faulty supposition that the public is willing to

be imposed upon to procure low prices.

Another instance that illustrates the condition was related to me the other day by a friend in the seed business. He said that one of his customers was selling clover seed at 60 cents, whereas his own best price to the retailer was 85 cents. The retailer assured my friend that he could not sell clover seed at a higher price.

The seedsman bought some of the cheap seed and tested it. He found that the 60 cent stuff germinated only 15 per cent, and he did everything possible to get the best results. At this rate, in comparison with the higher grade, the cheap seed really cost the purchaser at least three dollars a pound.

When we consider that this sort of thing is widespread and that it affects almost every line of business, it is obvious that the wholesalers and retailers who are obsessed with the fallacy of low prices at any cost are going to have a lot of explaining to do.

With the first upturn of business, the low price manufacturers will have to in-

improve. But the price trade is loyal to no one, and I cannot believe that a stung public will continue to buy misrepresented goods. Therefore, I expect to see many failures among the price cutters after business picks up.

Experiences like these, and there have been millions of them, should teach us the most valuable lessons of the depression.

The further I get into this new job of mine the more firmly convinced I am that business conditions can be controlled through scientific buying. If the majority of all goods used was bought sanely, economically, with an adequate consideration for the far-reaching economic factors involved, we would not only pull out of the present condition within a few months, but would have an assurance against depression in the future.

Goods sold below cost must be bought by someone, and in every instance that someone should be made to understand that the price-cutting manufacturer is a menace to the buyer's business, his own business, and business in general.

## Saner buying needed

AS IT is, we train our salesmen at heavy cost and supervise them with expensive management; but we treat the purchasing agent as a stepchild until he gets the idea that his job is to buy so cheaply as to justify a raise in salary. Or if we place an intelligent man in charge, one who realizes the economic effects of his activities, we stultify his judgment and tie his hands with such things as "reciprocity."

Unquestionably, sound, economic buying is just as important as intelligent selling, and I cannot see how we are ever going to prevent the return of the "business cycle" until a majority of the large

manufacturers, wholesalers and retailers learn a few simple facts about sane buying. For this reason, scientific management must give its attention to those factors of buying which are more important than the lowest possible price, and in the future I expect to see the brightest minds in industry engaged in buying.



We have found that price cutting is misleading and invariably costs more than it saves

crease prices to remain in business, and unless I am mistaken they will have to create an entirely new demand for their products.

The manufacturers who are selling below cost think they are holding their trade, and that they will be able to make up their losses as soon as business



# Little Things That Make People Buy

By A. J. LUTHER

President, A. J. Luther and Company, Merchandising Specialists

ILLUSTRATIONS BY GEORGE LOHR

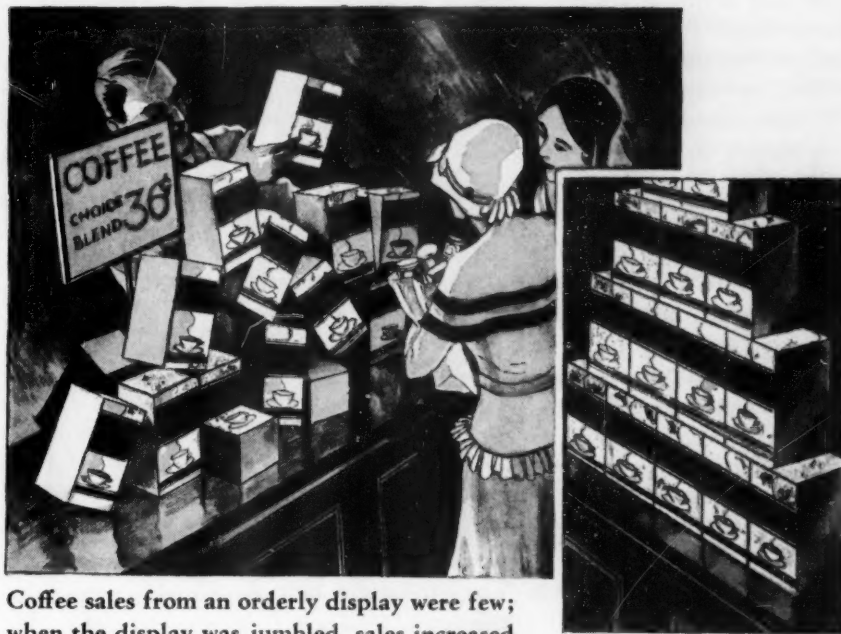
**I**T'S THE little things that count in selling today. Some of them seem insignificant, almost absurd, but they induce people to buy.

For example, a display of coffee in a certain grocery store did not sell. The coffee was of a popular brand, well advertised and the price was attractive. Customers asked for the coffee but few "extra" sales were made from the display which consisted of cans of coffee piled with mathematical correctness into a pyramid with one lone can at the top. It made a pretty but ineffective display.

One morning the porter inadvertently hit the top of the display and knocked the cans in a jumbled heap at the bottom. The display immediately took on an atmosphere of life and motion. The coffee began to sell. Customers picked up a can, examined it, and decided to add it to their purchases. The explanation was simple. With the pyramid display, customers were afraid to pick up the cans for fear of spoiling the appearance of the display. It had a don't-touch-me-I-may-fall-over appearance. The jumbled, or mass, display attracted attention, induced handling and created a bargain atmosphere that produced sales.

Customers have a natural desire and instinct to feel and handle merchandise. Knowing this, a druggist sold 22 per cent more whisk brooms when the handles were pointed toward—instead of away from—customers. An item in the hands of the shopper is half sold; so, when it is easy and natural for the customer to pick up and examine merchandise, more sales result.

Properly pricing merchandise is an art. An unbranded hammer in a certain hardware store sold better for 83 cents than for 73 cents. Customers felt certain that the 73 cent item was not much of a bargain because it had most likely been marked down from 75 cents—a saving of only two cents. The 83 cent price, however, created more interest because customers believed the item had been marked down from one dollar—a considerable saving. Odd-cent



Coffee sales from an orderly display were few; when the display was jumbled, sales increased



**A PRACTICAL** lesson in sales psychology with some hints that you may find useful in your own business. Mr. Luther offers examples to show how other merchants have moved goods that threatened to stay on their shelves and some tips as to what not to do in store display

prices usually pull better than even figures.

## Larger sales can be made

**MARKING** merchandise in groups of 3, 6 or 12 frequently causes the customer to spend more money. A dry goods retailer had been selling a certain brand of children's school hose for 29 cents a pair. By marking them "three pairs for 87 cents" he induced many customers to buy three pairs instead of one, even though there was no actual saving in doing so.

Mirrors have become valuable merchandising accessories in all types of stores. A grocer found their power such that men and women customers fre-

quently walked all the way across the store merely to improve their toilet or adjust their clothing. Customers not only seemed to appreciate the mirror, but it made the store look larger and reflected displays of merchandise from all angles. The use of the mirror began as a means of concealing a bare space. It became a profitable merchandising adjunct.

A certain department store found that three out of every four customers who entered the store turned to the right. Departments on the right-hand side of the store received most of the attention, while just as important departments on the opposite side were almost without customers. To equalize store traffic, the center fixtures were moved six inches to

the right, reducing the width of the right-hand aisle and widening the one to the left.

The results were instantaneous. By actual check the first day after the change, 75 out of 156 customers turned to the left on entering the store. Customer circulation was well balanced. All departments received equal consideration. The explanation is that customers unconsciously follow the path of least resistance—the widest aisle—on entering any store. The fact that the left-hand aisle was slightly wider offset the former tendency to turn to the right.

### Won't walk straight

CUSTOMERS like to turn every 20 feet. The housewife never walks in a straight line unless forced to do so. To take advantage of this urge, fixtures in this same department store were relocated to provide convenient cross aisles every 20 feet. This change made it easy for customers to cross from one side of the store to the other, thus bringing them into contact with all departments.

A jeweler found it difficult to draw customers toward the center and rear parts of his store. When people think of a jewelry store, it is most frequently for one of three items—watches, diamonds and repairing. By moving these three departments from the front to the rear of the store, the problem of poor customer circulation was solved. As customers walked to the rear of the store and out again they were "exposed" to sales of hundreds of items that they ordinarily would not think of going into a jewelry store to buy. These "pick-up" or "impulse" items now had their first opportunity to sell in profitable quantities—and they did.

"Just try on this coat for size," is a familiar expression when a customer is buying a suit of clothes. The psychology is evident. Once the customer has taken off his coat and started trying on suits, the sale is half made.

When a customer says, "I am just looking around," the retailer tries to get the customer interested in his merchandise. The customers are tactfully induced to handle some item, and in the case of suits—to try them on.

From the viewpoint of energy con-



The left-hand aisle was widened to overcome customers' tendency to turn to the right

sumed, it is immaterial whether customers walk up to a mezzanine and then down to the main floor, or whether they walk down to the basement and then upstairs later. Regardless of this fact, a sporting goods dealer found it twice as easy to get customers down to a basement salesroom as it was to get them up to a mezzanine.

A long stretch of steps discourages the average customer. To overcome this difficulty the retailer built a landing at the half-way point. Steps were then built to the right and left to make the stairway appear shorter. Steepness also deters the average customer. Wide stairways with broad, low steps draw more customers than short, high steps.

Men can be induced to go upstairs more readily than women. Hence, many men's clothing stores are on second floors. Women prefer a basement salesroom because their shopping and bargain instinct is more strongly developed. The word "basement" has come to be synonymous with bargains.

Customers are attracted to bright lights. Places of amusement are attractive because they are brilliantly lighted. The "White Way" appeals and draws all types of customers.

An Ohio ready-to-wear retailer moved some slow-selling dresses from the first to the second floor, increased the price \$2.10, and sold them all out the first day. The dresses were a good value on the main floor but by moving them upstairs to a more exclusive department they immediately became more attractive. Their price was higher than formerly, but low in comparison to the other merchandise in the department.

These sales were made because this retailer knew the ways of women.

But how about the men? During the last few years a number of men's clothing establishments made an expensive experiment. The old, familiar store interior blossomed out. It was transformed into a lounge or club room.

### Atmosphere that didn't suit

"NOW," said the proud owner, "a man can buy a suit in the right atmosphere."

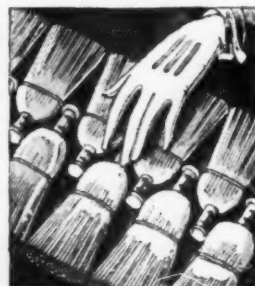
It was psychology but men had been misjudged. They didn't like the atmosphere. They felt out of place.

A man usually wants an addition to his wardrobe because his wife insists that he needs it—he isn't keeping up appearance, she says. Buying a suit of clothes is a necessary evil—a business deal to be closed in the shortest time possible under businesslike conditions. He buys his clothes in one store for years because he doesn't shop—he is like most other men, a one-store man. However, if they are going to impose these "trimmings" on him, he will try another store next time. He does, and today stores are removing the club atmosphere and bringing back the old businesslike one, because the same buying psychology doesn't apply to men and women.

Customers frequently found themselves subconsciously drawn into a certain men's furnishings store. The new type of window front was the reason.

The old shallow type with straight windows and a narrow entrance had given way to a new type which resembled a funnel. The widest part of the funnel was at the sidewalk edge, the narrowest at the entrances.

The new entrance had easy-acting doors, opening into the store.



Turning handles toward customers sold brushes



A MESSAGE FROM  
THE PRESIDENT OF THE U. S. CHAMBER



## What About This Congress?

**T**HE hardest task confronting any Congress since the war awaited the Seventy-second Congress when it assembled in Washington last December. In the face of recurring emergencies and constantly shifting public opinion, Congress has performed its task faithfully and well. During the war Congress had the support of a militant American spirit, a will to victory. The Seventy-second Congress was not so fortunate.

Consider the situation, last December. The Treasury faced a deficit of approximately two billions of dollars. The Congress had before it a dual problem,—to set the government's financial house in order and, by such means as the limitations of legislation permit, to increase public confidence.

In its approach to the fiscal problem, the Congress properly sized up its task as involving two essentials: to cut operating expenses, and to strive to keep additional tax burdens from hampering the revival of productive enterprises and the enlargement of employment.

Special economy committees were appointed in both Houses. Each House set up goals of accomplishment in savings. All of the plans for reduction in appropriations were not realized but, as this is written, it is certain that appropriations made by this session will fall below those for the year ended in June by hundreds of millions of dollars.

The Revenue Act, which Congress passed as the other part of the effort to balance the budget, provides for new revenues officially estimated at \$1,100,000,000. Opinions differ sharply as to some of the taxes. Opinions likewise differ as to whether or not the measure will yield sufficient revenue actually to balance the budget. But the fact remains that there was general disregard of other considerations and concentration of attention upon obtaining the best practicable measure to preserve the financial stability and credit of the government. This determination persisted in the face of proposals of bonus advocates to unbalance the budget by immediate cash payment to veterans of amounts not due until 1945. This legislation was defeated by a vote of 62 to 18 in the Senate.

The record of Congress is the more remarkable when we recall that the majority of the House is of one political faith and the majority of the Senate

adheres to the other party. Notwithstanding this fact, partisanship has repeatedly been adjourned. This was illustrated by the facility with which the Congress ratified the one-year moratorium on payments due on account of debts of foreign governments to the United States; passed the Reconstruction Finance Corporation Act mobilizing the credit of the federal government as an emergency aid in the financing of agriculture, commerce and industry; provided additional capital of \$125,000,000 for the Federal Farm Loan Banks, and passed the Glass-Steagall Act which made the powers of the Federal Reserve System more available in aid of the banks.

In the same spirit, the House authorized a special committee to investigate government competition with the business enterprises of its citizens.

Before adjourning, Congress completed legislation enlarging the powers of the Reconstruction Finance Corporation and authorizing it to make loans to states in which resources for unemployment relief have been exhausted, and to make advances against adequate security for self-liquidating projects.

Obviously, however, there remains yet much to be done which only the Congress can do. Foremost in this category is further reduction in the government's expenditures and means for keeping them down and allowing relief from tax burdens.

There is need of modification of the anti-trust laws so that these statutes, originally designed to protect the public interest, may not in fact become a detriment to public welfare.

There are transportation problems of the first order, from the point of view of the public welfare. Their solution is very largely dependent upon wise legislation. Much the same situation prevails with respect to problems growing out of agricultural and banking conditions.

These are but a few of the many issues which, when Congress meets again, will present themselves for the same earnest consideration which has been so marked a characteristic of Congress during the past winter and spring.

*H. S. Harriman*

# TODAY'S THIN PROFIT



C. I. T. cooperates with clients in working out a complete credit selling plan.

It also offers a ready market to firms having on hand suitable deferred payment paper, in any amount, which they may wish to convert from "notes receivable" into "cash on hand."

Representative types of products sold on credit and financed by C. I. T. are automobiles, electric refrigerators, ranges, oil heaters, radios, and other electric household appliances.

Also many and diverse types of income-producing machinery and equipment.

Equipment for contractors, garages, hotels, restaurants and theatres; Diesel engines, electric light plants, ships, etc.

In the textile field C. I. T. has three independently operating factoring units, Commercial Factors Corporation, William Iselin & Co., Inc., and Meinhard, Greeff & Co., Inc., all of New York. They serve more than 500 mills and manufacturers in the marketing of textile products.

*Can't withstand mistakes  
in credit or collection  
procedure . . . .*

**P**RACTICES which might have been tolerated in other years simply won't go under present conditions. Convenient terms were never so necessary as in this buyer's market, but they must be backed by a financing arrangement genuinely capable of protecting your net profit on credit sales.

It shouldn't require a world depression to make clear the advantages of the sort of financing service which C. I. T. offers. Your credit business... how profitable it is... will always depend on two factors.

One is your success in making collections, and making them economically; firms which use C. I. T. Service have the benefit of our nation-wide organization for making credit investigations and collections—unique facilities which are daily proving their

worth to many hundreds of manufacturers and merchants.

The other factor—often ignored in easy times—is the ultimate cost of allowing your funds or credit lines to become tied up in banking your customers. This practice, like a bad habit, can't always be broken off at will, and in time of emergency it may prove seriously crippling.

A credit line with C. I. T. keeps working capital free, leaves your regular bank lines undisturbed, and is self-liquidating. Our daily cooperation helps you extend terms wisely, insures efficient collection work, keeps down overhead costs.

The complete C. I. T. Service—under normal as well as abnormal conditions—is your necessary safeguard in building sales volume through offering terms.

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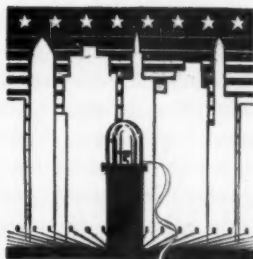
Subsidiary Operating Companies with Head Offices in New York ~ Chicago ~ San Francisco  
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**BANKERS TO INDUSTRY EVERYWHERE  
CAPITAL AND SURPLUS OVER \$80,000,000**



# Things Talked about in Wall Street

By a Staff Writer of NATION'S BUSINESS



NEW YORK, JULY 8

**T**HE financial district displayed interest in the announced plan of the United States Chamber of Commerce to take a referendum among its members to determine the extent and character of legislative proposals on banking and kindred matters to be submitted to Congress at the next session.

The recommendation of the Commerce Chamber's banking committee with respect to bank security-organization affiliates received the warm approval of leading bankers here, but the general sentiment on branch banking is by no means unanimous. The suggestion that the security affiliates of the member banks should be subject to examination and regulation by the Reserve Board or other Federal banking authority received the hearty approval of a number of bankers who have given considerable study to the subject ever since congressional criticism of their activities became acute.

Wall Street is generally of the opinion that stringent safeguards are needed to prevent abuses in the operations of the so-called group banking enterprises, particularly where holding companies (termed by one banker an instrument of the devil) are employed to acquire large stock holdings in isolated banking institutions. Elimination of Treasury representation on the Federal Reserve Board and the bid for more practical banking experience for members of the Board also receive the unqualified indorsement of the financial district.

THE halt in the flow of gold from this country called attention anew to the dramatic rise in the gold holdings of France for the last 20 years. Here are some figures taken from a recent issue of the *New York Times*. They are for December except for the current year:

1913 .....	\$ 678,858,000
1918 .....	664,009,000
1926 .....	711,106,000
1927 .....	954,000,000
1928 .....	1,253,500,000
1929 .....	1,633,402,000
1930 .....	2,100,242,000
1931 .....	2,699,431,000
1932 June 15 ..	3,171,460,000

In six years France has added to her gold stock some \$2,400,000,000 of a total gold monetary stock in the world of perhaps eleven billions.

There has been no such sudden growth in this country, the other great gold holder of the world. The figures corresponding to those of France, except that they are for June 30 each year, follow:

1913 .....	\$1,870,762,000
1918 .....	3,162,808,000
1926 .....	4,447,397,000
1927 .....	4,587,298,000
1928 .....	4,109,163,000
1929 .....	4,324,351,000
1930 .....	4,534,866,000
1931 .....	4,925,000,000 (June 27)
1932 .....	3,920,000,000 (June 22)

FRANCE in mid-June had more than gold enough to cover its note issue. Switzerland had 150 per cent coverage of its note issue, while Holland's metallic reserve, chiefly gold, was for the first time larger than its note issue.

In the first half of last year in this country the gold stock exceeded the money in circulation, a situation that was violently reversed later in the year when gold stocks went down a billion while money in circulation went up several hundred million.

THE halt of the gold flow to Europe gave the banks a chance to breathe more easily and raised hopes that the advances by the Reconstruction Finance Corporation to the banks might soon be reflected in an increased flow of money from the banks to industry. But any elation that might have been felt from this proof of the adequacy of our gold reserves was dampened by the unsatisfactory banking situation in Chicago where small banks were closed and

larger ones were obliged—and were able—to meet threatening runs.

FROM time to time in the last two years there have been proposals to close the Stock Exchange in the hope that such action might serve to check the fall in security prices. In the closing of June and early in July the Exchange seemed about to close itself. Never in years has the market been so nearly idle.

It recalled a story of the stagnation that followed the start of the great war. A distinguished New Yorker met his son for whom he had bought a seat on the Exchange. Said he:

"And how is business, Richard?"

"Fine, father, last month I made \$17."

"There are moments," said the father, "when I'm sorry I didn't sell you short."

THE action of the New York State Superintendent of banks in ruling that the market price of bonds held as collateral by banks might be disregarded by bank examiners and intrinsic value considered was welcomed by the banks affected and met with general approval. It was a recognition of the fact that reason no longer rules security prices. The sale of a very few bonds may depress prices to an unreasonable extent and make necessary further sales and still lower prices.

REFERENCE was made in the May issue of *NATION'S BUSINESS* to the "sophisticated money" and "wary money" which was distinguishable by the company it kept.

Dr. Benjamin Anderson, the well-known economist of the Chase Bank, contributes to financial nomenclature in designating as "nervous money" the funds which have been flowing into the United States because they "were afraid to go anywhere else."

Dr. Kemmerer of Princeton indorses this view of the international money situation, absolving your Uncle Sam from the alleged role of Shylock by pointing out that the French money that

came to our shores was in reality funds seeking a place of safety.

The Transatlantic wanderings of this "nervous money" were reflected in the monthly figures on gold importation and exportation. Wall Street jubilantly declares that we have called the Frenchman's bluff, at the expense of an outflow of about \$800,000,000 in monetary gold, but in all probability this gold will begin to flow back to us before many moons.

BUSINESS at times has turned up its nose at "professors" as mere theorists and lacking practical knowledge. Now the professor is to have a new chance. Except for its Chairman, Bainbridge Colby, the Independent Protective Committee of Kreuger Toll debenture-holders is made up entirely of professors with Georgetown, College of the City of New York, Columbia, Pennsylvania and Harvard represented.

A DENVER man held a small block of General Motors shares in 1929. He was faced with a decision as to whether he would hold his stock or sell it and buy a new Buick. The new car won. After using the car for three years, he sold it recently and received in payment a price that enabled him to buy twice the number of General Motors shares he formerly held. Net—three years use of a car and an increase of 100% in his share holding.—*Wall Street Journal*.

THE statisticians have been sharpening their pencils in an effort to reveal the surprising, unprecedented, amazing, and almost incredible shifts that have taken place in the relation of stock prices to commodity values, dividend yields, etc. in the last two years.

One economist compiled a list of one hundred stocks which are currently selling for less than the actual cash dividends they paid to investors in 1929.

ALUMNI, returning from college commencements, to the quiet of brokers' offices, report that nothing relieved the depression of these gatherings so much as jests about depression. Witness the story of the banker who was asked what he intended to do this summer and replied:

"Who? Me? Oh! I'm going to stay home—third class."

THE Stock Exchange's regular compilations show the net market value of

1,262 listed stocks on May 31 of this year at \$16,141,061,080 compared with \$87,073,634,423 at the end of September 1929. This is by all odds the sharpest shrinkage in security values ever recorded, wiping out 82 per cent of the market worth of these shares.

But perhaps the most astounding part of the whole picture is seen in the fact that the big corporations—General Motors, American Telephone, etc. have far more stockholders on their books today than at any other time in their history. Allowing for the considerable number of "involuntary investors" in shares of this stamp, it is a fairly logical conclusion that many others have been "buying 'em when they're low."

FROM the Players' Club comes the report that the best thing you can wish a friend these days is financial reverses.

THE Stock Exchange governors have promulgated new regulations for the conduct of these specialists, who are generally accused of playing both ends against the middle, shearing the lambs of their own flock with as little considerations as they would show to a rank outsider. By the new rule, the specialists are required to give their customers the "breaks" before acquiring or disposing of stock for their own account. The Stock Exchange is employing the familiar method of fighting fire with fire, in an effort to stave off restrictive legislation. Wall Street is betting that the investigation will fizzle out like its predecessors, but the shorn lambs are vigorously protesting against the practices which robbed them of their fleece.

NOT "easy money," but the chance to make a moderate profit on the average run of business transactions, is the remedy for the terrific economic headache now being suffered by the rank and file of small business concerns everywhere, said a banker with unusual ability to "read between the lines" of a balance sheet. Cheap credit is always helpful, but it must take second place to the opportunity for profit-making, and at this particular time the principal grievance of hundreds of small business concerns is not the rate they pay on credit advances, but their inability to persuade their bankers to lend them money at any price. To go further into the subject would only open up useless controversy, but that does not alter the basic situation, namely, that easy money is not the *only* cure for a major indus-

trial malady. On the other hand, easy money in times of prosperity fans the flames of security and real estate speculation in a manner which brings eventual retribution. Surely, the wise use of money and credit is an important factor in the maintenance of evenness and stability in finance and business.

CANADA DRY, says the *Wall Street Journal*, has been asked by foreign makers of beer and wine including Pilsner of Pilsen to represent them in case the Volstead Act is amended or the Eighteenth Amendment repealed. Why not a subsidiary—U. S. Wet to hook up with Canada Dry? At least its assets ought to be liquid.—W. B.

## Liepzig Trade Fair

FREE trips to the Leipzig Trade Fair are again offered to American buyers. This plan for defraying the cost of an oversea trip has proved extremely popular. The expense of the round trip will be refunded at Leipzig as heretofore on the basis of orders placed at the Fair, which will be held from August 28 to September 1.

The Leipzig Fair, despite the world's economic troubles, will include this fall some 8,000 exhibits of the newest products of every phase of human activities contributed by 25 countries. Some 125,000 buyers and exhibitors from every quarter of the globe will make the accustomed trip to Leipzig this year, of which 17 per cent will come from countries outside of Germany, including, of course, the United States. The great industrial migration to the Leipzig Fair is now seven centuries old.

More and more every year the Leipzig Fair has become the chief point of contact in the growth of German-American industrial relations. America displays many of her significant products at the Fair, and regularly sends thousands of buyers to shop this world market. The United States Department of Commerce, recognizing the Fair's importance, is officially represented at Leipzig and reports excellent progress in extending American trade through this medium to all parts of the world.

The Fair maintains a score of representatives throughout the United States. Detailed information concerning the free trips to Leipzig, and the opportunities for international trade at the Fair, may be obtained from these offices or by addressing the Leipzig Trade Fair, Inc., 10 East Fortieth Street, New York City.

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## "The Public, Incorporated"

**T**AXPAYERS—the general public—are forming, under the sponsorship of the St. Louis Chamber of Commerce, a militant organization known as "The Public, Inc." to carry on a vigorous drive for genuine governmental economy and tax reduction in the city, state and nation.

The new non-political voters organization will seek to pledge candidates for office on the general principle of governmental economy and less taxes, will campaign to get every interested taxpayer enlisted in the move and will offer an information service to its members.

The platform of The Public, Inc., as announced by C. W. Gaylord, chairman of the Board of the St. Louis Chamber of Commerce, provides:

1. A budget balanced through economies and not through increased taxes.
2. The control of government spending and the elimination of waste.
3. A "pay-as-we-go" policy with no demands on government for functions which the taxpayers cannot afford.
4. A definite pledge from candidates for economy and lower taxes.
5. A vote for candidates who promise economy regardless of party label.

The organization is designed to give the great unorganized public an effective mouthpiece for registering its attitude on governmental expenditures and taxes. Although sponsored by the St. Louis Chamber of Commerce the new organization will be a separate unit.

"Any man or woman is eligible for membership in The Public, Inc.," said Mr. Gaylord. "The only requirement is that he or she be willing to stand up and be counted and, what is more important, remain standing, figuratively at least, until every count is over. This organization means business, it means to stay with the subject until there is no mistaking the demand of the people upon their elected officials."

Yielding to high pressure propaganda of interested parties, the government has with subsidies helped almost everyone except the people at large—and at the expense of the people.

"With business becalmed, millions of workers on reduced wages, taxes being paid on installments, and millions in taxes delinquent through inability to pay, it will be the purpose of The Public, Inc., to concentrate on public officials the conviction that the people's

inning for tax relief has arrived," says the Chamber.

According to the Chamber, the objectives of the new organization will be to "marshal the might of the citizens who pay the bills on the side of governmental economy and reduced taxes, to turn the spotlight upon governmental costs and mounting taxes so that members of The Public, Inc., can act with the facts before them, to pledge candidates to economy and tax reduction, to place public service above mere party politics in voting for good government, to cooperate with present officials where possible, but, by whatever means necessary, to reduce governmental spending in keeping with the taxpayers' ability to pay, and to show the people the fallacy of demanding public service they cannot afford."

### An education in taxes

THE new organization will make available to its members information and research on various phases of governmental economy and taxation, in order to let the rank and file of the people know what is going on in government.

"We expect to educate our employees to their own personal interest in taxes and good government," said Edgar M. Queeny, president of Monsanto Chemical Company, commenting on the plan. "This isn't politics; it is common sense. Some workmen feel they do not pay taxes or have no interest in the subject. Twice a month we are going to tell them a different story of how they pay taxes in everything they buy and how taxes on the firm they work for affect their employment. The general voting public has been fooled too long on the idea they were not affected."

Although organized locally, the new organization has possibilities of spreading to the state and nation, if other cities take up the idea.

At the same time, persons will be pledged to work actively against all unnecessary government—federal, state and city—expenditures of taxpayers' money; to protest against any program that does not include cutting down of governmental costs in all their branches, and to talk, act, and vote for lower taxes and reduced governmental costs and to influence as many others as possible to do likewise.

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# The Map of the Nation's Business

By FRANK GREENE

Editor, Bradstreet's



Business conditions  
as of July 1

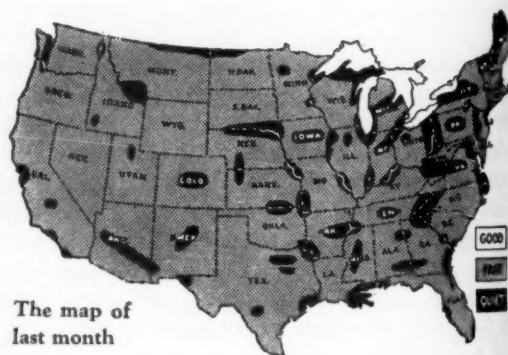
**SIGNS** are evident that the "irreducible minimum" of business and industry has been reached and that recuperation and repair are not far distant. Volume of retail trade seems above last year

**J**UNE saw depression continuing. The stock market reached new low levels; commodities saw alternate price weakness and strength with a small net increase in the index numbers; bank suspensions exceeded those of recent months; industry reported no gain in employment or pay rolls and buying to anticipate new taxes was rather evanescent.

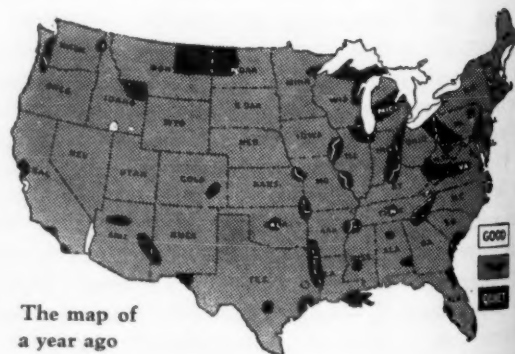
On the other hand the nine months' outflow of gold seemed checked as exchange turned in favor of this country; the spring sown crops made good progress; the political conventions became history without unfavorable effects; more optimism was seen in the spring wheat and corn belts on better crop indications and a higher level of live stock prices while cotton rose a cent a pound on prospects that rainy weather and the boll weevil will hold down the new crop. There are more signs that the "irreducible minimum" has been reached with the possibility that recuperation and repair are not far distant.

In industry, steel production made extraordinarily low records of working capacity. The automobile industry was irregular, low priced cars being most active. Lack of purchasing power is plainly visible and output is about half that of a year ago.

The petroleum industry shows hesitating progress. Crude production has been controlled and is firmer. Gasoline felt the effect of efforts to anticipate the new taxes but, with



The map of  
last month



The map of  
a year ago

The agricultural situation looks better despite the low price of wheat. The rise in meat animal prices leaves a larger margin over feeding costs



this removed, a test of present production and higher prices seems probable.

Non-ferrous metal outputs have been rather rigorously curtailed.

Lumber outputs have reflected the low ebb in all but public building.

The railroads and industries are sparing buyers of coal, as they are of iron and steel, and fuel prices are lower than for years with strikes a feature in the bituminous field.

In textile manufacturing, cotton goods output has been heavily curtailed but prices are weaker despite this. Wool is firmer but prices are low and half time or less is the rule. Silk imports are large but deliveries to mill have not grown and low prices continue. Of the lighter industries, shoemaking seems reasonably active.

Live stock, especially hogs, make an exceptional showing. In June the average price was \$1.75 higher than in late May when prices were the lowest since 1897. Cattle also rose and sheep and lambs sympathized. Taken in conjunction with the fine progress made by the

new corn crop and the low level of prices of the old crop, the rise in meat animals and their products presents an interesting situation.

Wheat loses nothing in interest with the close of the crop year 1931-32. Prices during June and early July sagged to the lowest point since last October. The carryover July 1 broke all records and the trend of crop reports is toward even larger yields of both spring and winter wheat than expected. On the favorable side, however, is the reported gradual reduction of the Farm Board stocks, and prospects of further reductions.

Foreign trade seems to be still receding although cotton export gains still exceed those noted earlier and claims that wheat prices have been above a parity with Europe find support in only a trifling gain in the fiscal year's exports.

Retail trade finds stimulus in low prices and there is little doubt that buying is up to or above a year ago in volume. May chain and mail-order sales showed smaller decreases than did those of April from a year ago.

## The Farm Situation Today

(Continued from page 37)

Bureau says. Now, having reviewed in a measure the decline in land values and the drastic shrinkage in farm income, let us see how farm mortgages have stood up in the face of these difficulties.

No information is available as to the delinquency in farm mortgages as a whole, but the records of the land banks available down to December 31, 1931, may indicate the trend. On that date, 73.9 per cent of the amount of the federal land bank loans and 76.9 per cent of the number had no delinquent installments. Only 12.3 per cent of the amount of the loans and 9.8 per cent of the number were delinquent 90 days or more. The joint stock land banks showed a roughly similar record, with 71.9 per cent of the amount and 78 per cent of the number of their loans having no delinquent installments, and 14 per cent of the amount and 10.8 per cent of the number delinquent 90 days or more.

That this is a gloomy picture cannot be denied, but it is not one wholly without cheering elements. As the Department of Agriculture points out, more than half of all farms are free of mortgage debt. In 1928, the last year in which statistics are available, 64 per cent of all farms—or 2,472,706 out of the total of 3,868,332—were in this class, but relatively fewer are debt-free now. Bureau of Census reports, for

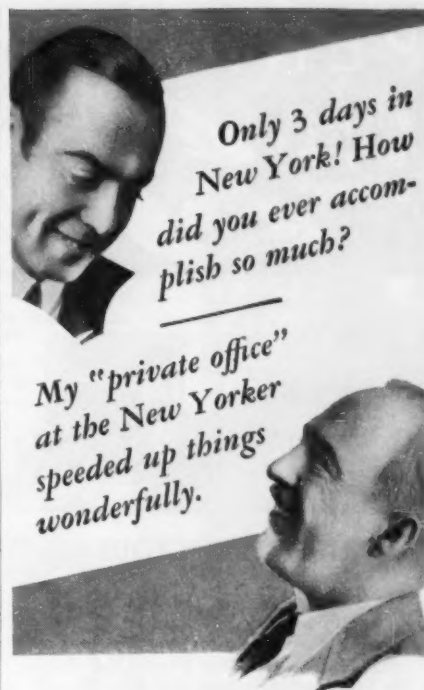
example, showed 58 per cent of owner-operated farms free of mortgages in 1930 as compared with 63 per cent in 1920.

An increased demand for farm lands has been reported by various sources.

The decline in farm mortgage indebtedness doubtless has been largely accomplished through mortgage foreclosures rather than through farmers paying off the mortgages.

Looking at the farm picture from another angle, farm values have stood up far better than have common stock values. Whereas farm values on March 1 of this year were down nearly 50 per cent from their peak, stock values have fallen about 82 per cent—the New York Stock Exchange report showing the peak market value of listed stocks in September, 1929, as \$89,668,276,854 and the value on June 1 this year as \$16,141,061,080. Listed bonds, according to the Stock Exchange report, have declined about 25 per cent from their peak of \$49,293,758,598 in September, 1930, standing at \$36,856,628,280 on June 1 this year.

Finally, from the farmer's standpoint, as has been increasingly pointed out during the past few months of the Great Depression, he may be in debt and may be possessed of little or no pocket money, but by and large he still has a roof for shelter, food to eat, fuel for warmth, and clothes to wear.—P. H. H.



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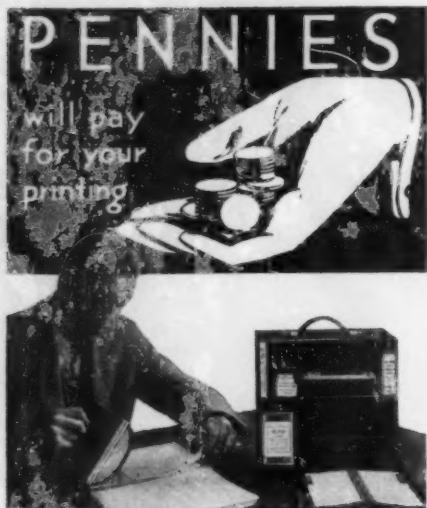
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## Morocco Learns About Service

By GEORGE E. CHURCHILL

"Caterpillar" District Representative for Morocco, Tunisia and Algeria



P. Parrenin

**I**N A LAND made famous by the Barbary Pirates, where camel racing is the national sport and the Sultan's 250 wives go shopping once a year, an enterprising Frenchman has just shown a clean pair of business heels to the rest of the world.

The Frenchman is P. Parrenin, the Caterpillar Tractor Company's dealer in Tunisia. Last year his firm, *Établissements P. Parrenin*, sold more units than any other dealer in the world, including the United States. It was the first time in the company's history that a foreign dealer had taken this honor away from the leading domestic dealers.

The record of *Établissements P. Parrenin* for the last three years indicates that its success in 1931 was not a fluke. Nor is there any mystery about it. Those two business fundamentals "Confidence" and "Service" tell the story. M. Parrenin has made those two words golden in a land where centuries of bartering had left them unknown and unexpected.

In an area where every deal is a verbal battle and no deal is a good deal unless you beat your customer, M. Parrenin has built his company up on a policy of one price to all, yesterday, today and forever.

Sales are mostly through service. Few salesmen are employed. Every delivery

of a tractor, combine or road machine is a demonstration. It is a gala event for that community and M. Parrenin carries it out on a schedule and style as exacting as a religious ritual.

All the farmers in a neighborhood are invited. The machine arrives

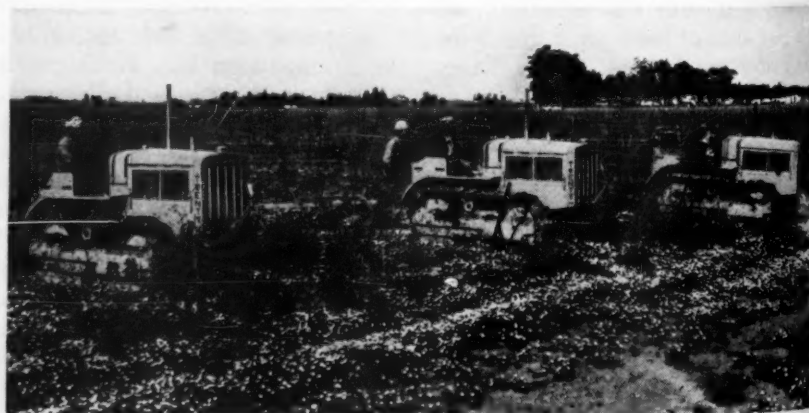
in its original export box. That wooden case is a valuable piece of equipment for a farm. The engineers set up the machine.

### Makes machine work right

IT IS started on the harvest, adjusted to the conditions of height of straw, down grain, weeds, and made to do the job for which it was built. The guests are invited to ask questions. M. Parrenin's delivery-demonstration is always the same. It's a public demonstration of service. It inspires confidence. Practically no selling as we think of it is done.

When the prospect is ready to buy, he comes in to see the head of the firm if he can—M. Parrenin, himself. They chat a bit and usually the deal is closed on the spot. No haggling, no bargaining.

M. Parrenin's reputation is known. His goods and his prices are household words throughout his territory. Each farmer knows he is getting the same



A battery of "Caterpillar" tractors at work in the land made famous by the Barbary Pirates



price as any other farmer in M. Parrenin's domains.

The firm of P. PARRENIN was founded in 1903. M. Parrenin from the beginning saw the large business in agricultural machines for a country whose source of wealth is agriculture. In 1905, he imported into Tunisia the first reaper-thresher combines. These animal-drawn machines gave poor results and were soon abandoned. For several years, M. Parrenin made several steam plowing trials, but numerous difficulties arose. M. Parrenin introduced the tractor in Tunisia in 1912.

Upon the arrival of the first tractors, farmers showed great skepticism. M. Parrenin's faith was necessary for several years, until the farmers finally saw proof of their practical efficiency. The active period of tractor development in Tunisia began about 1924 to 1925.

The rapid development of affairs allowed M. Parrenin to change his firm to a Corporation (Société Anonyme) having a capital of 3,800,000 francs which was created in January, 1928. Then the activities of this new organization were extended to Morocco where a branch was opened. The next year another branch was opened: *La Société Algérienne des Établissements P. PARRENIN* for the development of the Department of Constantine.

In less than three years these two new organizations developed sufficiently to allow complete financial independence.

## No Success Secret

**W**HEN Henry Clay Frick took charge of the Carnegie Steel Company in 1889, it was clearing less than \$2,000,000 a year. Twelve years later he had lifted its annual profits to \$40,000,000.

When a newspaper reporter, congratulating him on that achievement, asked for his "secret of success," Frick laughed, declaring that the road to accomplishment was open to everybody and that its mile posts were hard work, courage and level-headedness.

At that time he made it a rule to be at his desk every morning at half-past seven or eight o'clock and to stay on the job until six in the evening, often sending out for a sandwich in the middle of the day instead of devoting time to eating a lunch in a restaurant.

In unusually busy seasons he thought nothing of extending his working day to ten o'clock in the evening and sometimes to midnight.—JAMES HAY, JR.

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**C** THIS is one of a series of editorials written by leading advertising men on the general subject of advertising

## The One Way Out

**S**ALES CHARTS, cost curves and all the similar paraphernalia of economics look as scientific as chemical symbols. But their appearance is painfully deceptive.

One of the most persistent and pernicious illusions built up in many executives' minds during the boom years is that economics is an exact science. Even today we pore over charts as if they revealed truths as fixed and final as the laws of gravitation.

It is time to recall that the business of manufacturing and selling—of trade and of banking—is a human invention. Economics is no more scientific than psychology. Its laws are the laws of the human heart and the human mind.

Get behind the scientific symbols and you find that the raw materials of economics are hunger, love, ambition, desire, fear, faith, greed—purely human emotions, covered by a thin veneer of reasonableness.

The consolidated balance sheets of any business are merely a summary of the reactions of men and women to that business in its relation to the problems of their daily living.

Looked at from this viewpoint, some of the Assets listed in recent annual statements seem strangely valued:

Plant, Equipment, etc. \$100,000,000.00  
Good will 1.00

What an error such figures usually conceal!

That single dollar, standing for public faith and favor, represents an asset that in many institutions today is almost the sole hope against charges, obsolescence and decay devouring the whole hundred millions.

Yet, in many a financial structure, annual depreciation alone far ex-

ceeds the total annual investment for deserving and conserving the confidence and acceptance of the mass of men, whose verdict alone determines the future of every American enterprise.

We have learned to call this the Machine Age. Insofar as we believe the label, our own thinking will bear the stamp of the robot; the blind stupidity of the automaton will characterize our actions.

Machines can turn only when men make them turn in true service of their fellow-men. Great plants, products of generations of prudent managements, of labor and self-denial often arising to self-sacrifice.

are worse than valueless, unless they can be rededicated to meet the needs and desires of ordinary human beings.

The one hope of every enterprise today, as always, is the capacity of its leadership to look beyond the brick and the metal, the charts and the statistics, and see the solution of business problems in the daily lives of John and Jacob, Ruth and Mary whose essential natures are little different in 1932 than they were in any '32 or will be in any of the decades to come.

ARTHUR KUDNER, *President*  
Erwin, Wasey & Company, Inc.

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